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ʼeagan Aide Sees enate Ratification ʼf Arms Agreement

By Don Oberdorfer
Washington Post Service

ASHINGTON — President ald Reagan's national security er, Frank C. Carlucci, predict- a Sunday that the "98 percent" plete U.S.-Soviet treaty ban- medium- and shorter-range ar missiles would win Senate ation, but a leading Senate ocrat warned that legislative dments could kill the treaty.

e think it will be ratified," Carlucci said, referring to the nediate-range nuclear forces y that Mr. Reagan and Mik- . Gorbachev are scheduled to at their Washington summit ng beginning Dec. 7.

eaking on the NBC program t The Press," Mr. Carlucci the verification arrangement, h has been a major point of te in the Senate, will be "the intrusive in the history of s control and I think the sena- will be pleased when they see

at Senator Alan Cranston, ocrat of California, who said expects to support the treaty, ned that conservative Republi- s allied with other senators ld doom the pact by attaching acceptable reservations or ndments about such matters as hanistan, Jewish emigration or pliance with other treaties.

f Ronald Reagan can't get this d of modest treaty through the ate, I don't know when any erican president will be able to otiate successfully with the Soviet Union," Mr. Cranston said. "That could doom us to a very dangerous, escalating, costly arms race, in terms of many, many years."

The Senate Republican leader, Bob Dole of Kansas, who said he hopes to be on Mr. Reagan's side in favor of the treaty, defended the Senate's prerogatives in legislating on the subject.

"We have a role to play, it ought to be a constructive role," Mr. Dole said. "The Senate is not just to rubber stamp treaties. We are supposed to go through the process, have the hearings, improve them where we can, and we're going to be an active participant in that."

The senators expressed uncertainty whether the United States and the Soviet Union would be able to complete a more sweeping and important treaty slashing strategic, or long-range, weapons by 50 percent in the near future. A joint statement Friday pledged Mr. Reagan and Mr. Gorbachev to work toward the signing of such a treaty in Moscow in the first half of 1988.

"I hope they don't rush to judgment" on a strategic arms accord, said Mr. Dole. Mr. Cranston said the Senate would have to move swiftly next year on ratifying the medium-range treaty if a strategic arms pact was to be completed.

Assistant Secretary of State Rozanne L. Ridgway, who was interviewed on the ABC program "This Week," expressed optimism on the basis of recent U.S.-Soviet discus-

See ARMS, Page 4

ʼeltsin Affair Proves ʼelicate for Gorbachev

By Philip Taubman
New York Times Service

MOSCOW — On Saturday eve- g, Soviet newspapers received a ort from the news agency Tass t Boris N. Yeltsin, head of the scow party organization and a voting member of the Politbu- [illegible] to resign at a recent ty meeting.

Nineteen minutes later, Tass ad- ed Soviet editors that it was tegorically recommended not to blish" the information.

The abrupt turnabout was an in- ation of the sensitivity and vola- ty of an affair that has posed a licate political problem for Mik- il S. Gorbachev and given the tside world a rare glimpse of fric- ns in the Kremlin.

Mr. Yeltsin stunned the party dership Oct. 21 at a Central ommittee meeting by complain- g about what he saw as the slow pace of change and questioning Mr. Gorbachev's leadership, Soviet officials say.

Mr. Yeltsin's actions were reported in Western newspapers last week but have yet to be mentioned in the Soviet press. According to the Tass account that was censored, a senior party official, Anatoli F. Lukyanov, said at a news conference Saturday that Mr. Yeltsin had threatened to resign.

The affair has demonstrated that underneath the talk of openness and unfettered political discourse there are still stringent limits on debate, even at the highest levels.

It has also underlined that there are two standards of *glasnost*, or openness: one for Western consumption, and a more restrictive one within the Soviet Union.

The most pressing concern for Mr. Gorbachev is how to resolve the affair without giving encouragement to opponents and without appearing to tolerate insubordination, Soviet officials said.

Mr. Yeltsin, until his outburst, was considered one of Mr. Gorbachev's firmest supporters and a leading advocate of the changes the Soviet leader has introduced.

There are differing accounts of what Mr. Yeltsin said, but all agree that he complained that the pace of change was too slow and that he could no longer work in conditions that frustrated the urgent need to reshape society.

In a dramatic appearance that startled the committee and angered many members, officials said, Mr. Yeltsin also complained that Mr. Gorbachev was permitting a cult of personality to develop around him.

There are few more politically explosive allegations in the Soviet Union because of the association with Stalin.

If Mr. Gorbachev accepts Mr. Yeltsin's resignation, he will be removing from the important Moscow party organization a leader who came to personify efforts to revitalize party and government.

Mr. Yeltsin's removal would be a victory for Mr. Gorbachev's opponents and might be taken as a signal that Mr. Gorbachev's allies can be driven from power.

The alternative, arranging for Mr. Yeltsin to keep his job, would mean condoning actions that apparently exceeded acceptable limits of dissent and spontaneity.

In confirming Western news reports about Mr. Yeltsin's behavior, Mr. Lukyanov, a Central Committee secretary, said Saturday that the Moscow party chief had made "erroneous assessments" and "political mistakes."

In recent months, Soviet officials have often reported that Central Committee meetings, in a sign of the changing times, were now characterized by vigorous debate and that no one was penalized for questioning Mr. Gorbachev.

Noting the tendency in previous years to report that all decisions were unanimous, Abel G. Aganbegyan, Mr. Gorbachev's top economic adviser, wryly said after a committee meeting in June, "The only place there is unanimity is a cemetery."

Mr. Lukyanov's remarks suggested, however, that Mr. Yeltsin had crossed the line of acceptable dissent.

In July, Mr. Gorbachev staked

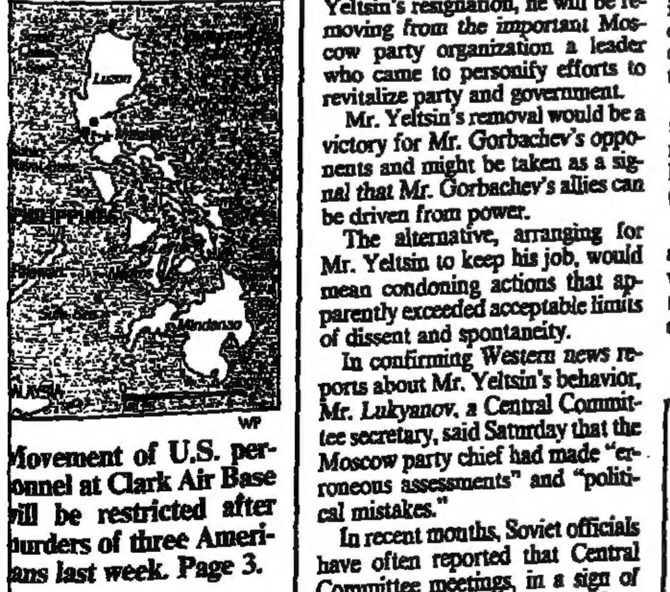
See SOVIET, Page 4

Kiosk

Malaysia Holds 91 Dissidents

KUALA LUMPUR, Malay- a (UPI) — Three more per- ns were arrested Sunday as a hreat to national security, inging to 91 the total number f political and social dissidents pprehended in a government rackdown to ease racial ten- ions.

One of the three arrested was hmad Sebi Abu Bakar, man- ging director of a television ation owned by the dominant lalay political party. The other o were social workers.



WP

ʼovement of U.S. per- onnel at Clark Air Base ill be restricted after urders of three Ameri- ans last week. Page 3.

ENERAL NEWS

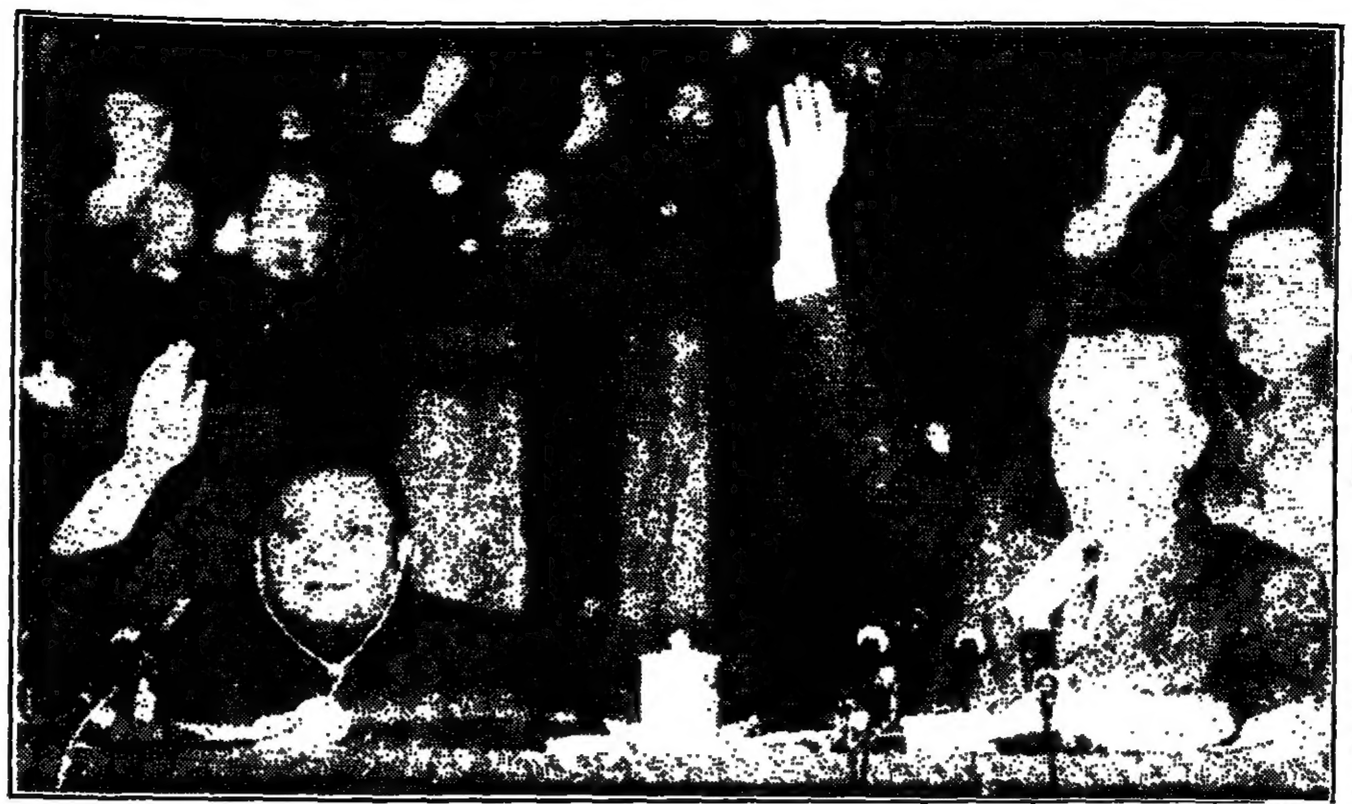
In Colombia, uncontrolled vi- ence is breeding a deep sense helplessness. Page 5.

PORTS

Eric Dickerson, the top NFL nner, made his debut as a lt as Indianapolis defeated e New York Jets. Page 19.

Special Today

e Dutch are grappling with esses of a complex social fab- and strains of an economy uggling to regain its balance. special report, pages 7-12.



Neal Ulevich/The Associated Press

Deng Xiaoping, left, and Zhao Ziyang voting at the close of the Chinese Communist Party congress in Beijing on Sunday.

Deng, Allies Oust Veterans From Party's Leadership

By Daniel Southerland
Washington Post Service

BEIJING — Deng Xiaoping and his allies swept aging veterans off the Central Committee of the Chinese Communist Party and into retirement on Sunday, setting the stage for younger leaders to assume control of the country into the next century.

The election of a new Central Committee sent nine out of 20 members of the ruling Politburo into retirement, or semiretirement, with Mr. Deng among those making their exodus.

Mr. Deng, 83, relinquished his top leadership posts in the Politburo and its powerful standing committee. But his prestige, experience, and network of allies throughout the party, army and government were expected to guarantee him a continuing role as the country's paramount leader.

As well as Mr. Deng, three other veterans of the legendary 1934-35 Long March across China — Chen Yun, 82, an economist; Peng Zhen, 85, National People's Congress chairman; and President Li Xiannian, 81 — were dropped from the Central Committee.

Diplomats and Chinese officials said Mr. Deng was expected to continue to serve as chairman of the party's military affairs commission, which controls the army.

A revision of the party constitution, approved Sunday, permits Mr. Deng to head the military even though he leaves the central committee.

An eight-day party congress ended Sunday with the election of a new and younger 175-member Central Committee. Its members for the first time include few of the men in their 80s who have dominated the party for more than five decades.

The committee is an assembly of the party's most powerful men, a kind of party parliament.

As the first modern Chinese leader to yield his highest party positions voluntarily, Mr. Deng set in motion a chain of retirements and rejuvenation.

He sat impassively in the front row on the rostrum, next to Prime Minister Zhao Ziyang, as Mr. Zhao presided over the final moments of the congress and conducted formal votes on party reports.

Mr. Deng raised his hand in approval with the others, betraying no emotion as he ended an era that began when he joined the Communist Party in 1924, more than 50 years ago.

Mr. Deng went beyond anything previously attempted in China or the Soviet Union. In both Communist countries, where democratic and institutionalized channels to the top leadership are absent, it has, until now, been either death, purges or palace coups that brought transitions of power.

In the Soviet Union in the early 1960s, under Nikita S. Khrushchev, more than 40 per cent of the Soviet Central Committee members was replaced. But the Soviets were never able to remove as many top leaders as Mr. Deng and his allies did through the party congress votes.

These and a number of other elderly committee members were said to have long resisted retirement. Some were said to have fought to hold on to their positions even up until the party congress.

Diplomats predicted that Mr. Chen would be rewarded with the chairmanship of the party's central

See CHINA, Page 4

Budget Talks Turn to Cut In Benefits

By Tom Kenworthy
Washington Post Service

WASHINGTON — Congressional leaders and Reagan administration officials who are negotiating a budget compromise are discussing a proposal to limit cost-of-living increases on federal benefit programs, including Social Security, and to increase revenues by limiting the indexing of federal income taxes, according to sources familiar with the talks.

One official said the proposal, dubbed the "2-percent solution," would eliminate the first 2 percent on cost-of-living allowances on retirement and veterans' benefits that normally accrue because of inflation, and exempt from indexing the first 2 percent of individuals' income gains.

It is unclear how much of an impact on the deficit such a proposal would have, but it would be substantial, particularly after the first year.

Other officials said the proposal is only part of a broad examination of alternatives that could lead to at least a $23 billion reduction in the deficit this year and additional savings next year.

"It's not at the point where it's serious," that official said. "It's one of many things that are are being discussed and is no closer to fulfillment than anything else."

Any plan that would reduce cost-of-living allotments to Social Security recipients and civilian and military federal retirees is likely to encounter significant opposition, particularly among House Democrats who are already frustrated by what they see as the Reagan administration's continued inflexibility on raising taxes.

Sources said that the administration negotiators have been willing to offer higher revenues only in the range of those offered in the president's own budget, or about $6 billion. The negotiators include Treasury Secretary James A. Baker 3d; the White House chief of staff, Howard H. Baker Jr., and the budget chief, James C. Miller 3d.

Until the administration is prepared to discuss taxes close to the $12 billion already approved by the House and a Senate committee, one source indicated, congressional Democrats are unlikely to bend on reductions in entitlement programs such as retiree benefits.

In addition, any proposal including reductions in Social Security cost-of-living increases runs counter to the ground rules set for the talks by Mr. Reagan.

In agreeing to meet with congressional leaders following the stock market collapse, the president said he was willing to put everything on the table except Social Security.

Some congressional negotiators are pushing for another meeting with Mr. Reagan early this week in the hope that a face-to-face encounter would make the adminis-

See BUDGET, Page 4

Pickens a Loser In Market Crash

Reuters

WASHINGTON — T. Boone Pickens, a self-proclaimed "big winner" of the stock market crisis, said Sunday that he was not a big winner after all.

In an interview, he said he lost 25 percent of his net worth in the 508-point market collapse on Oct. 19, while Ivanhoe Partners, an investment group he heads, lost $200 million.

The day after the collapse, Mr. Pickens had said that he had been out of the market "for some time personally." On Sunday, he admitted, "Personally I lost about $28-$30 million."

Stock Fall Convinces U.S., Partners That Dollar Stability Was No Solution

By Peter Kilborn
New York Times Service

WASHINGTON — The United States and other leading nations have concluded that the importance they placed on keeping the dollar stable was excessive and probably a mistake, according to many officials of the countries.

The stock market crisis has demonstrated the failings of the policy, those officials say. Contrary to their expectations, dollar stability has done next to nothing to help rid the countries of substantial distortions in the world economy.

The experience has persuaded those nations' top economic officials to pay less attention to their currencies for now. Instead, they say they want to cooperate in dealing directly with the failings in each economy that hurt the others. If they can manage that, they say, their currencies should largely take care of themselves.

Alan Greenspan, the chairman of the Federal Reserve Board, shares this view, unlike his predecessor, Paul A. Volcker, according to economists who know both men well. Treasury Secretary James A. Baker 3d, an author of the stable-dollar policy, appears to be moving that way too.

An economic official at the West German Embassy in Washington said that the key word now in currency arrangements is "flexibility."

Even the French, the staunchest advocates of currency stabilization arrangements, see little use for them at present outside Europe.

A search for new policies is well under way, mostly over telephone lines linking the nations' capitals.

This search may conclude in an agreement on commitments that would be made at a meeting. A time has not yet been designated, but a meeting possibly could be held as soon as the end of this week, according to officials interviewed in Washington and abroad.

The participants would be the finance ministers and central bankers of the United States, Japan, West Germany, France, Britain, Italy and Canada, an informal association known as the Group of Seven.

Officials of the countries, all of whom spoke anonymously, said that any effective agreement would hinge on the bipartisan talks between Congress and the White House on reducing the federal budget deficit, the cause most often cited by other countries for the turmoil in the markets.

An accord also would hinge on whether Mr. Baker and Mr. Greenspan decide they have something persuasive to offer other countries in bargaining for policy changes.

A meaningful accord would depend as well on West Germany, which economists say has done less than any other country to alter domestic policies that inhibit growth in other countries.

West Germany has reduced interest rates slightly in recent days

See DOLLAR, Page 4

MONDAY Q&A

Reuters

Henry Kaufman, of the largest U.S. investment banking firm, sees the dollar stabilizing around 1.60 to 1.70 Deutsche marks. Page 15.

Major Events For Markets Coming Up

By David A. Vise
Washington Post Service

WASHINGTON — For most of the world, the focus this week will be on the maneuvering between Congress and the White House over trimming the U.S. budget deficit.

But for international markets, other events could play as major a short-term role in whether stocks move up or down.

- The Federal Reserve Board chairman, Alan Greenspan, is expected to meet Monday with Karl Otto Pöhl, the Bundesbank president. Given the U.S.-West German dispute over monetary policy, investors will be watching closely for signs of cooperation.
- On Tuesday, the Federal Reserve Board's Open Market Committee will meet to discuss monetary policy. In recent days the Fed's focus on holding interest rates down by infusing cash into the banking system has helped stock prices recover. Analysts speculate that the Fed may add to this momentum by cutting its key discount rate.
- Also on Tuesday, the U.S. Treasury Department will begin its quarterly refinancing of part of the federal debt. It plans to auction $9.75 billion in three-year notes on Tuesday, $9.25 billion in 10-year notes on Wednesday and $4.75 billion in 30-year bonds on Thursday.
- On Wednesday, the auto industry will report how many cars were sold in the 10-day period that includes Oct. 19, when the market took its record fall. (See page 13.)

Rift on Growth Policy Grows in West Germany

By Ferdinand Protzman
International Herald Tribune

FRANKFURT — A split appears to have developed among West German economic officials on the need for a more expansive monetary policy to cope with disruption in financial markets and to placate international demands for quick action to relieve global trade imbalances.

That apparent rift was underscored Sunday, when Economics Minister Martin Bangemann rejected the need for expansionary measures. He said he still expected the nation's economy to grow between 2 and 2.5 percent in 1988, despite the market turmoil.

Leading industrialized nations, most notably the United States, have long argued that Bonn should act as a motor for world economic growth by taking steps to stimulate consumer spending.

Finance Minister Gerhard Stoltenberg has bowed to the pressure, saying last week that West Germany was reconsidering its policy on interest rates. His statement came Wednesday, when the falling dollar drove the Frankfurt stock market's leading index down by 5.6 percent.

Mr. Stoltenberg, a member of Chancellor Helmut Kohl's Christian Democratic Party, reiterated that view Friday, saying that the government "will be forced to study the possibility of changing some of its monetary policy."

"Our policy direction is essentially correct," Mr. Stoltenberg said. "Of course, we will have to examine whether individual accents in monetary policy, for example, should be altered."

Mr. Bangemann, however, said in a radio interview on Sunday that the West German authorities were unable to lower interest rates any further. He reiterated his belief that tax cuts scheduled to take effect in 1988 and 1990 would be sufficient to spur continued moderate economic growth. He said he saw no need to advance the tax cuts.

But West Germany's five leading economic research institutes will urge again Monday in their autumn report that the tax reform package scheduled for 1990 be implemented as soon as possible, according to an article in the newspaper Die Welt.

Mr. Bangemann, who heads the liberal Free Democratic Party, the junior party in the ruling coalition, blamed the United States for the recent disorder in foreign exchange markets, citing its fluctuating monetary policy.

"It's not for them to be giving advice," he added.

Karl Otto Pöhl, the president of the Bundesbank, West Germany's central bank, also is against lowering interest rates as an attempt to spur short-term economic growth.

Mr. Pöhl has said that budgetary measures such as cutting taxes are the best way to increase domestic purchasing power and make it easier for businesses to raise capital spending levels.

The Bundesbank operates without any direct control from the government, and Mr. Pöhl has been unafraid to assert his independence.

But opinion appears to be split among the Bundesbank's central bank council, whose 17-members set the central bank's monetary policy. One member, Wilhelm Nölling, is openly advocating "a prompt cut in the interest levels."

There is unity among West Germany's economic and financial leaders on placing the blame for the recent economic turmoil on the U.S. budget and trade deficits.

French Press Says Left Sold Arms to Iran

By Steven Greenhouse
New York Times Service

PARIS — France now has its own Iran arms scandal with defense department officials charging that a defense minister in the former Socialist government approved sales of 450,000 artillery shells to Iran in violation of French law.

Articles in two major French newsweeklies this week also charged that President François Mitterrand was informed about the sales and that some of the money from the sales was diverted to Socialist Party coffers. The articles

Japan has refused to go along with American sanctions against Tehran. Page 4.

said that about $120 million worth of arms were shipped in violation of a self-imposed French embargo.

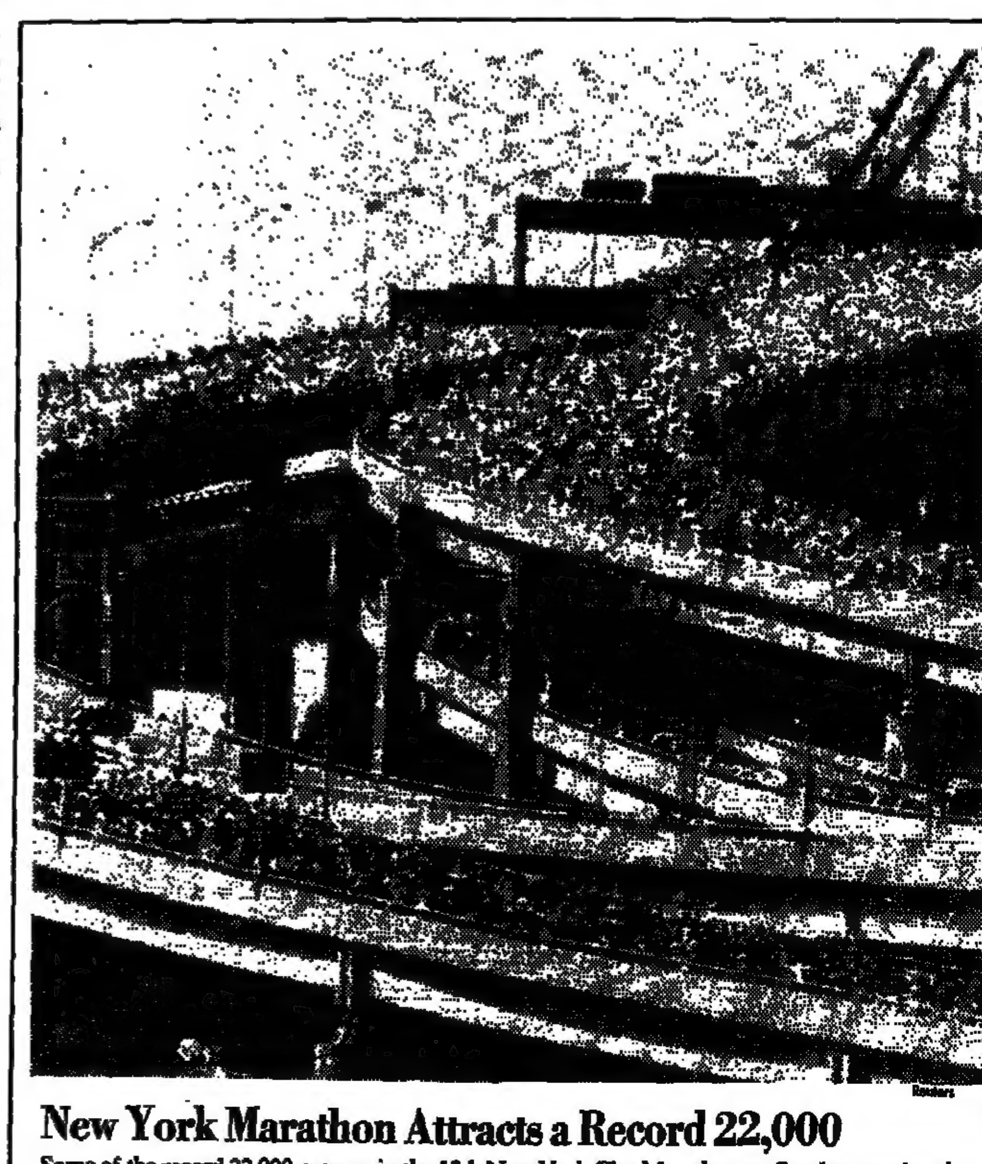
Socialist Party officials contend that the current right-center ruling coalition leaked the accusations, contained in a confidential army report, to smear the Socialists as the presidential campaign heats up.

"Do I look like someone who would sell weapons to Iran?" said Charles Hernu, the former defense minister. "These scandals are going to be numerous before the presidential elections."

The sales to Iran, which took place from 1983 to 1986, came to light in February 1986. At the time, Socialist officials were not tied to the sales. They were disclosed by a small newspaper based in Cherbourg, La Presse de la Manche, which wrote that in 1985 two ships registered in the Bahamas carried more than 140,000 155-millimeter and 203-millimeter shells that were supposedly destined for Portugal, Brazil, Thailand and Pakistan. Instead, they were shipped to Bandar Abbas in Iran.

The Socialist defense minister who succeeded Mr. Hernu, Paul Quilès, launched an investigation that has focused on the Luchaire Company, an arms-maker that said

See GULF, Page 4



Reuters

New York Marathon Attracts a Record 22,000

Some of the record 22,000 runners in the 18th New York City Marathon on Sunday crossing the Verrazano-Narrows Bridge. Ibrahim Hussein, 29, of Kenya won in 2 hours, 11 minutes, 1 second. Priscilla Welch, 42, of Britain took the women's title in 2 hours, 30 minutes, 16 seconds. Page 19.

Indian Military Establishment Rocked by Losses in Sri Lanka

By Steven R. Weisman
New York Times Service

NEW DELHI — Indian Army losses to Tamil rebels in Sri Lanka this month have shaken the Indian military establishment and raised questions among many experts about the quality of New Delhi's military intelligence and planning.

More than 200 Indian troops have been killed and more than 700 wounded in fighting in Sri Lanka since Oct. 10, when Indian troops moved to disarm Tamil guerrillas at their stronghold in the northern city of Jaffna. The Indian losses were the largest since the war with Pakistan in 1971.

The Jaffna operation was proclaimed a success when Jaffna was captured by Indian troops last week. But Indian officials also expressed disappointment that the major guerrilla leaders escaped.

India sent troops to Sri Lanka to guarantee a peace accord signed by Prime Minister Rajiv Gandhi of India and President Junius R. Jayawardene of Sir Lanka on July 29. Under it, Tamil separatists were to give up their arms in return for increased autonomy in largely Tamil areas in the north and east.

For years India had been sympathetic to the Tamil cause, allowing guerrillas to use Indian territory for training and political operations. But when the rebels — who accuse the majority Sinhalese of discriminating against them — refused to accept the accord to end the ethnic conflict, the Indians eventually turned against them.

Many military analysts also say India misjudged the conflict, using a conventional force of 20,000 to 30,000 men against guerrillas skilled at hit-and-run tactics. They said India also underestimated the effect of mines and other explosives planted on roads. Scores of soldiers died in such blasts.

A senior Indian official said in an interview that "there has been some inadequacy" in intelligence, particularly regarding the activities and whereabouts of the leaders of the Liberation Tigers of Tamil Eelam, the separatist guerrilla group defending Jaffna.

He also acknowledged that the Indian Army had been unprepared to wage a major guerrilla war, since Indian forces went to Sri Lanka thinking that they would only keep the peace and receive weapons voluntarily surrendered.

"The timing of this operation was not up to us," the official said. "It would have been better to choose the operation, obtain intelligence and choose the best timing. Here was something just thrust on us."

But the Indian official and others defended the performance of Indian troops overall, asserting that the major reason for the heavy losses was a decision to avoid aerial bombardments and to move slowly to avoid civilian casualties. Indians recalled that civilian casualties in earlier operations by the Sri Lankan Army enraged Tamil civilians and drove them to sympathize with the guerrillas.

"No other army in the world could have done better," the official said. "Only a highly disciplined army could have taken these casualties and still occupied Jaffna with a minimum loss of life to civilians."

The question of civilian casualties remains a matter of dispute, with India saying the losses were slight and some Tamil spokesmen in Sri Lanka asserting that hundreds of civilians died. India says 600 guerrillas were killed, but the guerrillas insist that most of these were civilians.

Criticism has come from military and diplomatic analysts in Sri Lanka, particularly in the Sri Lankan Army. The Sri Lankans, however, admit to some resentment when the Indian Army came into their country projecting the attitude that it could succeed with the Tamils where others had failed.

"These people made the same mistakes that we made in the beginning," a Sri Lankan official said. "They never learned the psyche of the terrorist. This is a battle that has to be fought on your belly, literally and in other ways. Your brain has to be on the ground and not in the clouds."

A Western diplomat said the Indian Army's performance could have repercussions for New Delhi. "You can be sure that Pakistan and China are watching very closely," he said, referring to the two countries that have fought wars with India and with which border tensions remain high.

Despite the heavy Indian losses, there has been no popular outcry in India for a troop withdrawal. But indications are that inside the military establishment, some blame is being apportioned.

Several Indian news organizations have reported that Major General Harkirat Singh, the commander in the Jaffna peninsula, was replaced. Indian spokesmen denied the report, saying he had returned to Jaffna after a period of "consultations" in New Delhi.

Military analysts here say the main failure was that of the Research and Analysis Wing, India's intelligence agency.

Sadayuki Mikami/The Associated Press

BANZAI! BANZAI! BANZAI! — Noboro Takeshita, at podium, flanked by Shintaro Abe, with glasses, and Prime Minister Yasuhiro Nakasone. Mr. Takeshita took over from Mr. Nakasone on Saturday as president of the ruling Liberal Democratic Party. Mr. Takeshita is virtually certain to be elected prime minister of Japan on Nov. 6.

Babbit Escapes in Car Crash

The Associated Press

PHOENIX, Arizona — A Democratic presidential hopeful, former Governor Bruce Babbitt, and his son escaped serious injury but their car was destroyed Saturday when another automobile hit theirs from behind, pushing it into a car in front. No one was hurt in the other vehicles.

AP

Danzim, a Tibetan Communist Party official, insisted that Lhasa was quiet and open to foreign travelers.

Tibetan Officials Blame Dalai Lama For Lhasa Rioting

Washington Post Service

BEIJING — Senior officials from Tibet say that the Chinese government has "definite evidence" that the Dalai Lama, the exiled Tibetan Buddhist leader, and his followers were behind the anti-Chinese rioting in Lhasa, the Tibetan capital, a month ago.

At a news conference here, the Tibetans denied reports of widespread arrests in Lhasa and declared that the city was quiet and open to foreign visitors.

The Communist Party secretary of Lhasa, Goigya, said six persons were killed in the Oct. 1 riot and that only about 100 persons were actively involved. According to reports at the time, hundreds of persons were involved in the rioting.

The deputy Communist Party secretary of Tibet, Danzim, said, "We have definite evidence that the unrest was caused as a result of the instigating and plotting of the Dalai Lama clique." The Dalai Lama has stated that the demonstrators may have been encouraged by a visit he made to the United States in September. But he has not acknowledged any direct link with the protesters, who are seeking independence from China.

Kim Dae Jung Tests His Rival's Home Turf

By Susan Chira
New York Times Service

PUSAN, South Korea — Kim Dae Jung ventured onto his chief rival's turf Sunday and drew enthusiastic crowds, showing that he could be a political force even in alien territory as he campaigns in South Korea's first direct presidential election in 16 years.

Mr. Kim also faced his first physical attack since he declared officially on Wednesday that he would run for president against a fellow opposition figure, Kim Young Sam, his long-time rival.

About 100 people calling on Kim Dae Jung to withdraw from the race tried to break into his hotel, smashing windows and hurting some of Mr. Kim's aides and security guards. Mr. Kim, who was not hurt, requested police protection.

The candidates have begun holding rallies in key cities as they prepare for the election, scheduled for mid-December. Roh Tae Woo, the ruling party candidate, has been attacked three times in recent weeks: with eggs, tear-gas grenades, and gasoline bombs.

Pusan, the nation's second-largest city, is Kim Young Sam's political base and the site of his most successful campaign rally to date. Kim Dae Jung, who is from the southwestern province of Cholla, needed to demonstrate that his support was not limited to his home province.

Despite cool weather and overcast skies, Kim Dae Jung drew hundreds of thousands of fervent supporters. But the attack on his hotel Sunday evening was an unpleasant reminder of the regional rivalries that have often influenced politics here — and of the bitter rivalry between the two Kims.

Earlier in the day, several hundred Kim Young Sam supporters tried to enter the rally grounds, and when they were barred, they held their own rally nearby. Later, some marched in the rain through Pusan, shouting Kim Young Sam's name. Many posters advertising the Kim Dae Jung rally were also defaced.

In Seoul, aides to Kim Young Sam said they did not know whether their supporters were responsible for the attack or other incidents. They said they had urged their backers to refrain from violence.

The rivalry between the eastern province of Kyongsang, which includes Pusan, and the western one of Cholla runs deep in South Korean history, and many fear that the race between the two Kims will exacerbate this bitter conflict.

Part of Kim Dae Jung's appeal — as an underdog persecuted by the government and as a champion of the poor and underprivileged — stems from his roots in Cholla. Many South Koreans have traditionally looked down on people from Cholla as backward, poorly educated and crude.

Cholla Province itself has lagged behind the rest of the country in economic development.

Many critics of the government charge that Cholla, long an opposition stronghold, has been deliberately cut off from the benefits of the Korean economic miracle, partly because most postwar Korean leaders have come from Kyongsang Province and have helped their constituents accordingly.

Kim Dae Jung urged the crowd not to let regional rivalries poison the race.

"We must bring a complete end to Korea's provincial differences," he said. "This is as important as bringing an end to the military dictatorship. People, when you vote, decide not by someone's province of origin but judge whether he has the necessary requirements."

He avoided criticizing Kim Young Sam, holding to a strategy both have adopted of attacking the government and Mr. Roh instead. "Kim Young Sam and I are the only two legitimate candidates," he said. "If possible, vote for me. But if a husband and a wife are undecided, each one vote for one of us."

In the absence of opinion polls, the candidates are engaging in a numbers contest to see who can draw the largest crowds. On that score, Kim Young Sam clearly drew far larger crowds during his recent appearance in Pusan. But what Kim Dae Jung's crowd lacked in size, it made up for in enthusiasm.

After Mr. Kim's hourlong speech, supporters had to be held back by bodyguards, who were nearly trampled as the crowd clawed its way to his van.

Titanic Discoverer Doubts That Explosion Sank Liner

By Walter Sullivan
New York Times Service

NEW YORK — The suggestion that an explosion played a critical role in the sinking of the Titanic 75 years ago is incompatible with accounts by survivors, according to Dr. Robert Ballard, leader of the expedition that found the wreckage of the giant ocean liner in 1985.

The suggestion was made on a television program, broadcast last week, on which items from the Titanic were displayed. Officials of the expedition that retrieved the items suggested that the explosion could have originated from a smoldering fire in the ship's coal supply.

But Dr. Ballard said this theory was incompatible with the accounts of witnesses, which he asserted left no doubt that a collision with an iceberg was to blame. Survivors described ice scattered on the deck of the Titanic and protruding through a small hole in her hull. The gaping hole shown on the television show, described as 30 feet wide, must have been formed later, he said.

Survivors also described a fearsome roaring as the ship tilted vertically. Presumably, heavy machinery in the hold broke loose. Dr. Ballard suggested that some of this could have punched the hole at that time, or when the bow hit bottom.

The Titanic, on her maiden voyage from England to New York, sank off Newfoundland in the North Atlantic on April 14, 1912, killing more than 1,500.

The two-hour television show on Wednesday, "Return to the Titanic ...Live," was shown on television stations throughout the United States.

When Dr. Ballard, on an expedition for the Woods Hole Oceanographic Institution in Massachusetts, inspected the wreck last year, he reported that many of the riveted hull plates had been sprung open, apparently by the collision with the iceberg. This flooded many water-tight compartments, causing the liner to sink.

Prime Minister Resigns in Syria, Gets Security Post

Reuters

DAMASCUS — President Hafez al-Assad has accepted the resignation of Prime Minister Abdul Raouf al-Kasm, who has headed the Syrian government for almost eight years, a presidential spokesman said.

Mr. Assad had asked Mahmoud Zubi, the parliamentary speaker, to form a new government, the spokesman said Saturday. Mr. Kasm was the longest-serving prime minister in recent Syrian history.

The spokesman said Mr. Assad had appointed Mr. Kasm head of the National Security Bureau, a liaison between the leadership of the ruling Ba'ath Party and Syrian security services. Mr. Kasm will report directly to Mr. Assad, who is the party secretary-general.

Mr. Kasm resigned after Parliament forced four ministers accused of mismanagement out of office. The 195-member Parliament passed no-confidence motions against the ministers of agriculture and building projects in June. Last month, it took similar action against the ministers of industry and supply and internal trade.

Mr. Assad appointed Mr. Kasm to head the government in January 1980 to tackle the country's economic problems.

WORLD BRIEFS

150 Are Hurt in Bangladesh Protests

DHAKA, Bangladesh (AP) — More than 150 people nationwide were injured Sunday in clashes with police as opposition forces held demonstrations at government headquarters, police and opposition sources said.

Sources said clashes erupted between opposition groups and police and between rival parties at several district headquarters. The demonstrations were part of an opposition campaign to bring down the government of President Hussain Mohammed Ershad.

Among the injured was a deputy commerce minister, Abdul Gaffar, who was beaten and whose car was destroyed in an attack by an opposition group, said a district official who declined to be identified. He said a member of Parliament traveling with Mr. Gaffar suffered minor injuries in the attack.

French Find Arms on Irish-Run Ship

BREST, France (Reuters) — French customs uncovered a 150-ton arms and explosives cache aboard a ship crewed by five Irishmen, officials said.

Customs sources said that the cargo appeared to be destined for Northern Ireland, where guerrillas of the Irish Republican Army are fighting British rule. The five crewmen were detained in Brest on Saturday.

The Budget Ministry, responsible for customs operations, said the 130-foot (40-meter) Panamanian-registered coaster Eksund was boarded Friday when it entered French territorial waters.

Resumed 7th Chess Game Is Drawn

SEVILLE, Spain (Reuters) — The closely contested seventh game of the world chess championship between the titleholder, Garri Kasparov, and his challenger, Anatoli Karpov, ended Saturday in a draw.

GAME 7
GRUNFELD DEFENSE

White *Karpov*	Black *Kasparov*	White *Karpov*	Black *Kasparov*	White *Karpov*	Black *Kasparov*
1. d4	Nf6	28. Rb2	cd	55. Rc4	e5
2. c4	g6	29. cd	Qg4	56. Rg4	Be7
3. Nc3	d5	30. Qf7	Rxd4	57. Rg7	e4+
4. cd	Nxd5	31. Bxd4	Qxd4+	58. Ke3	Bc5+
5. e4	Nxc3	32. Rf2	Qxe5	59. Ke2	Bd4
6. bxc3	Bg7	33.Rf5	Qe1+	60. Rg5+	Kc4
7. Bc4	c5	34. Rf1	Qe5	61. Rf5	Kc3
8. Ne2	Nc6	35. Kh1	b6	62. Rh5	Kc4
9. Be3	0-0	36. Qf4	Qh5	63. Rf5	Kc3
10. 0-0	Bg4	37. Qf5	Qe2	64. Rg5	Kc4
11. f3	Na5	38. Rc1	Bf6	65. Rh5	Bf6
12. Bxf7+	Rxf7	39. Qg6	Qe6	66. Rb5	Bd4
13. fxg4	Rxf1+	40. Rd1	Qc8	67. Rh5	Bf6
14. Kxf1	Qd6	41. Rf1	Qd7	68. Rh6	Bd4
15. e5	Qd5	42. Qh5+	Kg7	69. Rxh4	b5
16. Bf2	Rd8	43. Rf4	Qd2	70. ab	a4
17. Qe1	Qe4	44. Rg4+	Kf8	71. Rxe4	a3
18. g5	Qf5	45. Qf5	Qc1+	72. b6	a2
19. h4	Nc4	46. Kh2	Qc7+	73. Rxd4+	Kxd4
20. Kg1	Qg4	47. Qf4	Qxf4+	74. b7	a1(Q)
21. a4	h6	48. Rxf4	Ke8	75. b8(Q)	Qa6+
22. Ra2	hg	49. Kg1	a6	76. Kf2	Qf6+
23. Qb1	gh	50. Kf2	Kd7	77. Kg1	Ke4
24. Qb3	Qe6	51. Ke2	Kd6	78. Qb4+	Kf5
25. Nf4	Qf7	52. Kd3	Kc5	79. Qe1	Qd4+
26. Nxg6	Qxg6	53. Rc4+	Kd5	Drawn.	
27. Qxe4+	Kh8	54. Rc7	a5		

For the Record

The police in Santiago, Chile, detained about 200 dissidents who participated in a street campaign asking for an open presidential election, press reports and witnesses said Saturday. *(AP)*

Two persons were killed and 70 injured Sunday in Pakistan's Sind Province during clashes between police and supporters of the ethnic Muhajir movement. The police said 400 people were detained. *(AP)*

TRAVEL UPDATE

Strikes in Italy Halt Dozens of Flights

ROME (Reuters) — Dozens of flights were canceled Sunday at Italian airports because of strikes by ground staff, and further stoppages were planned Monday. Officials said that 56 flights, 14 of them international, were canceled by Alitalia and that 69 flights, including 24 international, would be dropped Monday unless agreement was reached on a contract.

The strikes were among "official" stoppages announced in advance by ground staff. An attempt by the government to ban wildcat strikes, which aggravated official stoppages, failed last week because of divisions in the governing coalition. More official strikes are planned for Nov. 18.

The Mexican government took control of Mexicana airline on Sunday to prevent a strike by pilots, an airline spokesman said. The law the government invoked to take over the airline empowered it to order Mexicana's 976 pilots back to work, he said. *(Reuters)*

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Australia, Belgium, Bolivia, Brazil, Central African Republic, Colombia, Ecuador, El Salvador, France, Guatemala, Haiti, Luxembourg, Macao, Mexico, Monaco, Philippines, San Marino, Uruguay, Vatican City.

TUESDAY: Bahrain, Ecuador, Egypt, Iran, Iraq, Jordan, Japan, Kuwait, Lebanon, Panama.

WEDNESDAY: Andorra, Cyprus, Indonesia, Malaysia, Panama, Vatican City.

THURSDAY: Burma, El Salvador, Liberia, Pakistan, Sri Lanka.

FRIDAY: Morocco.

SATURDAY: Bangladesh, Bulgaria, Hungary, Mongolia, Soviet Union.

SUNDAY: Nepal.

Source: Morgan Guaranty Trust Co, Reuters.

AMERICAN TOPICS

Buddhists to Serve As Military Chaplains

The U.S. Defense Department has decided to permit Buddhist chaplains to serve in the armed forces, the first such recognition for a religious group outside Christianity or Judaism.

The step is "a tremendous breakthrough," said Bishop Seigen H. Yamaoka at the San Francisco headquarters of the predominantly Japanese-American Buddhist Churches of America.

The Pentagon says about 2,500 Buddhists of various sects and ethnic backgrounds are in military service.

One of the astronauts who died in the 1986 explosion of the space shuttle Challenger was Colonel Ellison S. Onizuka of the air force, a Buddhist. The funeral services after his death made more people aware of Americans of Buddhism, Bishop Yamaoka told the Los Angeles Times.

The Buddhist Churches of America, 88 years old, have 150,000 adherents and 63 temples in the United States. The total number of U.S. Buddhists is unknown. But the chaplains certified by the Buddhist Churches of America, like chaplains of any religious denomination, would serve Buddhists of other traditions as well as military personnel of any faith.

Short Takes

Lawrence Spivak, creator and for 28 years the moderator of the pioneering interview program "Meet the Press" said at the 40th anniversary party in Washington for television's longest-running show, "When we started, we had just one guest on for the 30 minutes." Today, the program, like other talk shows, has several guests. "Our general feeling," said Mr. Spivak, 87, "was if the guest wasn't worth that amount of time, he wasn't worth anything at all. I think one problem with television is that people think everything can be done in one minute, two minutes or three minutes. I don't think it can."

Hallmark Cards has ceased making a "Transylvania University" T-shirt with the slogans "We Go For The Throat!" and "E Pluribus Bitum!" and a picture of a bat with the words "Our Founder" at the request of the real Transylvania University, a 207-year-old liberal arts college in Lexington, Kentucky. "We have apologized," said Diane Wall, a Hallmark spokeswoman. The T-shirt referred to the legendary home of the vampire Count Dracula. "We absolutely had no idea that there was a Transylvania University," Miss Wall said.

Shorter Takes: Three volunteer firefighters were killed in an abandoned farmhouse set aflame in a training exercise in Milford, Michigan. Witnesses said a floor apparently collapsed, trapping the men. • Agents of the Federal Bureau of Investigation, while hunting Franklin Lynch, 32, an ex-convict wanted on charges of murder and assault, arrested him on Sunset Boulevard in Hollywood when he jaywalked in front of their car.

Notes About People

The 200,000-member Navajo Nation has announced a joint venture with **Oleg Cassini**, the stage and dress designer, to build a luxury resort on the Navajo reservation, which covers 16 million acres (6.4 million hectares) of Arizona, New Mexico and Utah. Mr. Cassini, 74, a former husband of the actress Gene Tierney, was Jacqueline Kennedy's official dress designer when her husband was in the White House. Peter MacDonald, chairman of the Navajos, said Mr. Cassini's "study of Native American history drew him to the Navajo 30 years ago."

U.S. Supreme Court justices work long hours, according to Justice **Sandra Day O'Connor**. She said in a University of Denver speech that she arrives at the court building at 7:30 A.M. and stays until 7:30 P.M. "When I go home, I usually take some reading material home with me," Mrs. O'Connor said.

Representative **Morris K. Udall**, Democrat of Arizona, in a forthcoming book, "Too Funny to Be President," quotes several witticisms of **Henry A. Kissinger**, the former secretary of state. After a diplomatic meeting: "Golda Meir and I agree on everything, including the fact that we don't see eye to eye." On the Watergate scandal: "The illegal we do immediately. The unconstitutional takes a little longer." On the perquisites of fame: "Now when I bore people at a cocktail party, they think it's their fault."

—ARTHUR HIGBEE

Ron Bennett/Reuters-UPI

Judge Ginsburg, center, meeting with Senators Bob Dole, right, and Strom Thurmond.

Reagan Aides Split on Ginsburg

Meese Elated but Baker Frustrated Over Court Choice

By Steven V. Roberts
New York Times Service

WASHINGTON — President Ronald Reagan's nomination of Judge Douglas H. Ginsburg for the Supreme Court has renewed tensions between White House factions and has frustrated Howard H. Baker Jr., the White House chief of staff, according to administration officials.

A Republican politician said that Mr. Baker and his staff were "really upset" by the choice of Judge Ginsburg, which Mr. Baker thought would run into considerable opposition, but that the chief of staff had accepted the president's decision and would work for the judge's confirmation.

Mr. Baker spent part of the day Friday introducing Judge Ginsburg to Senate leaders. But the show of unity came after a defeat the day before.

The showdown took place Thursday morning, when Mr. Baker, who leads a pragmatic faction, and Attorney General Edwin Meese 3d, one of the most orthodox administration conservatives, met with the president to review the two finalists for the Supreme Court post: Judge Ginsburg and Anthony M. Kennedy, a federal appeals court judge in California.

Mr. Meese pushed heavily for Judge Ginsburg, a former Justice Department official, according to a White House official.

Mr. Baker warned that Judge Ginsburg could face confirmation problems, particularly if the American Bar Association gave him a poor recommendation. But it was unclear whether Mr. Baker advocated the choice of Judge Kennedy or simply reported what he saw as Judge Ginsburg's drawbacks.

Later in the day, when Judge Ginsburg's selection was announced, Mr. Meese was visibly elated as he received congratulations from conservative Republican lawmakers.

"Meese wins on this one," a White House strategist said.

Marlin Fitzwater, the president's spokesman, said that Judge Ginsburg's religion was a factor in his selection.

"Certainly the fact that he was Jewish was discussed in the preliminary meetings and so forth," Mr. Fitzwater said.

He added that the White House was aware that Judge Ginsburg would be the first Jewish justice since Abe Fortas resigned from the court 18 years ago.

But some concerns have already been raised about Judge Ginsburg in the Jewish community.

"Judge Ginsburg's being Jewish in no way exempts him from searching examination of his views and record by all Americans, including American Jews," said Albert Vorspan, senior vice president of the Union of American Hebrew Congregations, a prominent Reformed Jewish organization.

Meanwhile, Mr. Reagan insisted Saturday that the Senate should act quickly on the nomination.

The president's language was more restrained than it was on Thursday, when he spent almost as much time criticizing the Senate for its treatment and defeat of his earlier nominee, Judge Robert H. Bork, as he did in introducing the new nominee.

Senate Democrats were irritated by the remarks, and the Senate majority leader, Robert C. Byrd of West Virginia, said Friday, "The Senate will not be stampeded."

Nonetheless, Mr. Reagan's criticism continued Saturday in his weekly radio address. He chastised the Senate for the "campaign of pressure politics we saw during the consideration of Judge Bork's nomination."

■ Abortion Issue

Judge Ginsburg's wife performed abortions during her medical training at Beth Israel Hospital in Boston, a spokesman for the Justice Department said Saturday as reported by The Associated Press from Washington.

Hallee Perkins Morgan, the judge's wife, performed abortions during her first year of residency in 1979-80 and agreed to assist with one difficult abortion in her next year of training, but she has performed none since then, said a Justice Department spokesman, Terry H. Eastland.

As a result, Mr. Eastland said, "she, like a number of doctors who have performed abortions, from her own experience, became persuaded that she did not want to do that anymore."

Aquino Attends Service for Slain GI As Restrictions on Americans Widen

By Seth Mydans
New York Times Service

MANILA — President Corazon C. Aquino flew to Clark Air Base on Saturday to demonstrate her concern over the killing of three Americans as Americans in the Philippines faced heightened security restrictions.

The commander at Clark, 50 miles (80 kilometers) north of Manila, told troops that they were in for "a long haul" with new restrictions on their movements.

The U.S. Embassy on Saturday warned U.S. citizens to avoid the Ermita night-life district in Manila because of fears of new attacks.

The three Americans and a Filipino were gunned down within 15 minutes Wednesday in four widely separated locations in Angeles City, just outside the base. Police said they had arrested four men who admitted to being Communist guerrillas but denied involvement in the killings.

Speaking on the armed forces television network, Major General Donald Snyder, commander of the 13th Air Force at Clark, said that restrictions on travel from the base would continue indefinitely and that Americans there might have to adapt to new conditions.

"I'd be kidding you if I didn't tell you that it may be a long haul," he said.

The concerns were a new experience for Americans here. Despite an 18-year Communist insurgency and a history of political turbulence, U.S. citizens have generally been welcome and secure.

The motives for the attacks and the source of the continued threat remained unclear. Various reports blamed either Communist rebels or right-wing groups intent on destabilizing the Aquino government and weakening U.S. support for it.

The Communists have not struck at Americans in the past, but they have made statements recently saying this tactic might change.

Stepped-up patrols continued around Clark for the third day. U.S. military policemen cleared servicemen from the rows of gaudy bars that cluster around its gates.

Two-thirds of the 26,000 Americans based there, including servicemen, civilian employees and dependents, live in Angeles City. They have been urged to travel only to and from their homes, using major thoroughfares.

General Snyder said similar restrictions were in force at Subic Bay Naval Station and at smaller U.S. installations.

At the air base, Mrs. Aquino attended a memorial service for one of the two active-duty airmen killed outside its gates, Sergeant Randy Davis of Portland, Oregon. A similar service was held Friday for Airman 1st Class Steven M. Faust of Pasadena, Texas.

The other victims were Herculano Mangante, a retired Air Force technical sergeant and a naturalized American citizen, and Joseph Porter, a Filipino businessman of American ancestry.

U.S. Drops Asylum Proposal

Washington Post Service

WASHINGTON — The Justice Department has backed off an unpopular proposal to change the way refugees are granted political asylum, after scores of immigrant advocacy groups and lawyers claimed that the changes would deny due process to refugees, officials said.

The proposal, as introduced two months ago, called for eliminating immigration judges from the asylum process and instead leaving asylum decisions to a special corps of officers in the Immigration and Naturalization Service.

After Justice officials received several hundred responses critical of the proposed changes, however, they said they would continue to let immigration judges hear the asylum cases of refugees who are in deportation proceedings.

Under an interim procedure in place for the past seven years, refugees get two chances to ask for political asylum: first before the immigration service and then, if they are denied at that level, before an independent immigration judge.

"The more we thought about it, the more we realized that the comments were not without merit," said Roger Pilon, director of the Justice Department's Asylum Policy and Review Unit, where the changes were drafted.

Chirac Begins Visit to Israel

The Associated Press

JERUSALEM — Prime Minister Jacques Chirac of France arrived Sunday in Israel for a three-day state visit. It is the first visit by a French prime minister to the Jewish state.

Behind Gorbachev Vim, Substantive Vigor

By David K. Shipler
New York Times Service

WASHINGTON — With last week's announcement that Mikhail S. Gorbachev will be coming to Washington Dec. 7 for a summit meeting with President Ronald

NEWS ANALYSIS

Reagan, Americans are promised a closer look at one of the world's most provocative figures.

The summit arrangement came as a reversal of sorts, exactly a week after Mr. Gorbachev told Secretary of State George P. Shultz in Moscow that he did not feel comfortable setting a date as long as Mr. Reagan refused to compromise on his space-based defense system. Another Soviet leader might have felt obliged to stick to that negative position, but not Mr. Gorbachev.

He has disturbed and fascinated the West practically since the moment he took the reins of Soviet power in March 1985. With an irreverence for precedent and an agility uncommon in Soviet leaders, he has disrupted old assumptions about Soviet impulses, forced reappraisals of Soviet purposes and rendered less predictable the course of East-West competition.

Some Western officials and analysts see him as little more than a clever public relations man, and many are skeptical about his ability to make durable changes in the Soviet system. His recent vacillation on setting a summit date also earned him reprimands in the United States for seeming rash and mercurial, unwelcome characteristics in an adversary of his dimensions.

But this American fixation on his style runs the risk of diverting attention from his substance. Domestically, his efforts toward what he calls *glasnost*, or openness, and *perestroika*, or restructuring, already appear to have set new forces in motion in the economy, the press, the dynamics of Communist Party politics, film, literature, music and the teaching of history.

In foreign affairs, Mr. Gorbachev has stated his abhorrence of nuclear weapons and his readiness to reduce them, he has compromised deeply in arms control to defuse tensions with Washington and he has begun to abandon old policy reflexes that have governed Soviet positions in the Middle East, the Far East and elsewhere.

"Potentially, he's one of the truly historic figures of the 20th century," said Stephen F. Cohen, professor of Soviet politics and history at Princeton University. "It may be that even if he doesn't succeed in the end, the reforms are going to start a turnaround in that system. We ought to welcome that and stop fussing so much about Gorbachev's dazzling style."

Mr. Cohen and other analysts feel that Mr. Gorbachev has defied his national security elite's policy assumptions by advocating an abolition of nuclear arms. "He has a kind of peacenik attitude toward nuclear weapons," Mr. Cohen said. "Now, you can say he's manipulating the issue to breed pacifist attitudes in Europe, to breed pacifist attitudes in America. Yet he's done this at some risk at home, where generals have accused some writers of breeding pacifist attitudes among Soviet youth."

Furthermore, Mr. Gorbachev seems to need some substantive achievements in arms control to justify his concessions, according to American analysts who have talked to members of the Communist Party's Central Committee. There is some grumbling about his giving more than he is getting, about his failing to produce tangible results.

This surfaced last week in reports of criticism of Mr. Gorbachev's leadership during the Central Committee's plenum just before Mr. Shultz arrived in Moscow. American scholars are divided over Mr. Gorbachev's political strengths, and last spring, in testimony on Capitol Hill, a few predicted his downfall.

"He's moving so fast, he's stepping on so many toes, that he himself worries whether or not he'll be able to pursue it," said Marshall I. Goldman, a specialist in Soviet economics at Wellesley College and associate director of Harvard's Russian Research Center. "My own prediction is that he won't last four years."

The pessimism was shared by Peter Reddaway, a specialist at the Kennan Institute for Advanced Russian Studies in Washington. "I think that it is extremely possible that if Mr. Gorbachev continues with his present policies, he will be removed within the next two or three years," he said.

Others scoff at such dire forecasts. "It seems to me he has had one of the great, classical consolidations of power in Soviet history," said Jerry Hough, a Sovietologist at Duke University and the Brookings Institution. "I think Gorbachev is as strong as Stalin was in 1927-28."

More significant is the conviction among some that the Gorbachev phenomenon is broader than the man, that it derives less from his personal preferences than from deep currents of generational change, economic anxiety and worry that the Soviet Union may enter the 21st century as a weakened giant, devoid of the technological vitality that propels the West into an increasing lead. Mr. Gorbachev is the product of these forces and concerns, not their creator.

Muscovites Test Glasnost In Poll on Political Issues

MOSCOW — Moscow residents rank Mikhail S. Gorbachev slightly ahead of Stalin in importance to their country.

They approve of giving exit visas to citizens who want to emigrate, but they disapprove of releasing dissidents from prison or exile.

Some say that Soviet troops should be withdrawn from Afghanistan. And they do not expect much from the coming summit meeting with President Ronald Reagan.

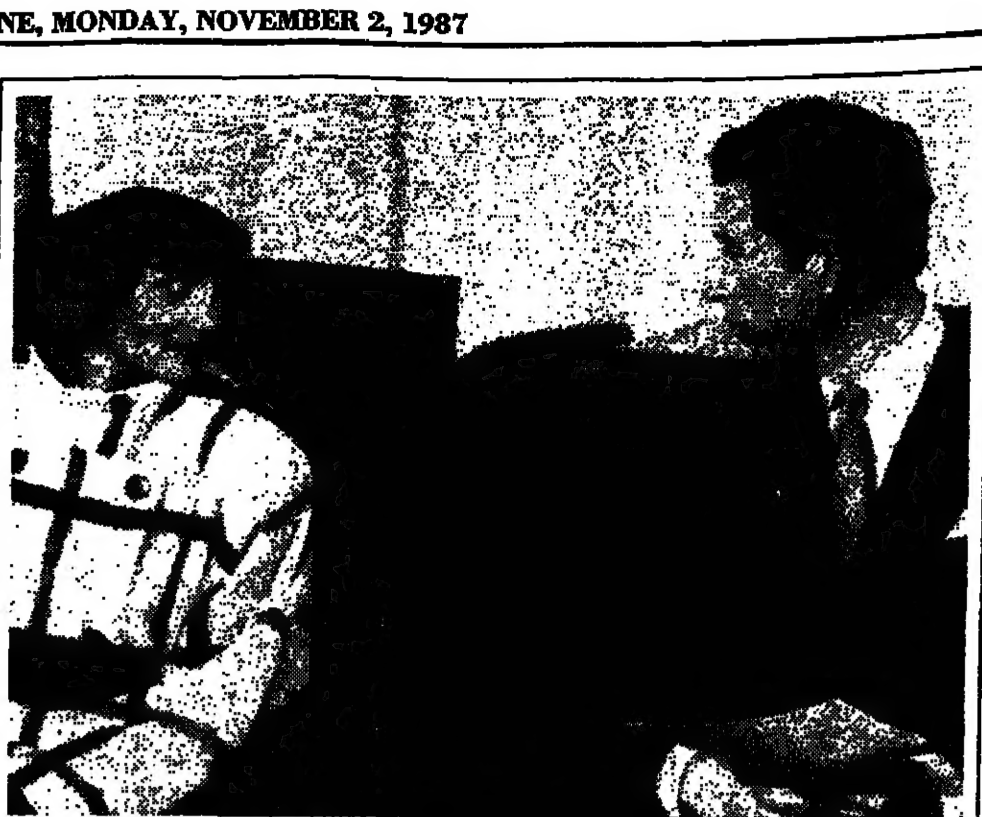
These are among the findings of a poll conducted by French and Soviet researchers, apparently the first widely publicized survey using Western polling standards to measure Soviet public opinion.

The results were made available by the French television network TF1 and Radio France, which sponsored the survey with the weekly Le Point. Researchers from the Institute of Sociological Studies of the Soviet Academy of Sciences interviewed 1,000 Moscow-area residents by telephone after reading a statement promising anonymity.

Predictably, in a country where people may be reluctant to tell their views to strangers, a heavy majority said they supported Mr. Gorbachev's program of economic changes.

Asked if they approved of the release of "those who are called dissidents" from prison or exile, 42 percent said no and 27 percent yes. But 73 percent said they approved of giving exit visas to people who want to leave the Soviet Union permanently, while 18 percent were opposed.

Asked for the three most important figures in Soviet history, they put Mr. Gorbachev ahead of Stalin, whose brutality and centralized economy have come under sharp criticism since Mr. Gorbachev came to power. Mr. Gorbachev was named by 31 percent, Stalin by 25 percent. Lenin, the founding father of Soviet socialism, was named by 64 percent.



The Associated Press

ROYAL COMPLIMENT — Prince Charles and Diana, Princess of Wales, arrived in Berlin on Sunday for a seven-day tour of West Germany amid British press speculation that their marriage is faltering. The prince called his wife "the most glamorous colonel in the British Army." She is the honorary colonel-in-chief of the Royal Hampshires.

Japan Balks At Sanctions Against Iran

By Clyde Haberman
New York Times Service

TOKYO — Japan has told the United States that it would not go along with American sanctions on trade with Iran, but suggested that it would at least try to hold imports of Iranian oil at present levels.

The Reagan administration had urged allies to join its decision last week to impose a ban on all Iranian imports and to tighten restrictions on exports to Iran.

It is unusual for Japan to turn Washington down on a sensitive matter, given the overwhelming importance attached to good relations with the United States. When Japan says no, it does so only because of worries that it would otherwise damage vital economic and diplomatic interests.

In this case, Japan feared the loss of a significant oil source, and also wanted to preserve its status as one of the few industrialized countries to maintain diplomatic relations with both Iran and Iraq.

The rejection was relayed Saturday in a meeting here between Undersecretary of State Michael H. Armacost, and a Japanese deputy foreign minister, Ryohei Murata.

Mr. Murata told Mr. Armacost it was "too early to take economic measures" because of continuing United Nation efforts to mediate a settlement of the Gulf War. In addition, he said, Japan might still be able to play a diplomatic role to help end that conflict.

A statement said the Japanese oil industry would be asked to "behave with care and prudence in the face of any disturbances to the international oil market which might be caused due to the United States economic measures."

The phrase "care and prudence" suggested that Japanese companies would be advised, most likely through indirect but nonetheless effective channels, that they risked official displeasure if they were to increase Iranian oil imports.

In 1986, Japanese imports from Iran totaled $1.1 billion, virtually all of it crude oil. Japanese exports, mainly machinery and ships, amounted to $1.4 billion.

CHINA: *Victory for Deng*

(Continued from Page 1)

advisory commission, but his recent public appearances have shown him to be virtually incapacitated because of ill health.

The highest leadership changes are to be announced Monday, when the new Central Committee selects members of the Politburo and its standing committee.

But the changes already disclosed have significantly weakened the party "conservatives" who have tried to limit the scope and pace of economic and political reforms introduced by Mr. Deng and his protégé, Mr. Zhao.

Mr. Chen, considered to be Mr. Deng's most eminent rival for influence, was described as "slightly indisposed" and failed to attend the closing session of the congress, the first to be held in five years.

Mr. Zhao, 68, is expected to be named permanent party general secretary, placing him in line eventually to replace Mr. Deng as the country's top leader and to push forward more forcefully with his economic reforms.

The reforms are designed to move China away from a Soviet-style centrally planned system toward a market economy, experimenting with whatever produces results, including capitalistic-style management techniques.

The changes announced in the new committee constituted a triumph for Mr. Deng and Mr. Zhao that went beyond what most diplomats and analysts expected in the way of losses for the conservatives.

But official Chinese sources warned that despite the victory, Mr. Deng and Mr. Zhao faced numerous problems. One of them, one source said, was the army, which is concerned about a possible further decline in its power.

The army has always been a key to power, and this source said that Mr. Deng had to stay on as military chairman in order to pacify its leadership.

The party ended the congress — probably the last to be dominated by Mr. Deng — with the election of a committee whose new members and alternate members average 55.2 years in age. A party official said this meant a reduction in age of 3.9 years below the age of those who entered the old committee five years ago.

BUDGET: *'2 Percent Solution'*

(Continued from Page 1)

tration's bargaining position more flexible on the question of taxes.

Though both sides in the discussions have repeatedly said they are making progress toward a budget accord, the pressure for another meeting with the president would indicate otherwise.

In addition, the House speaker, Jim Wright, Democrat of Texas, and the Senate majority leader, Robert C. Byrd, Democrat of West Virginia, dropped in on the talks Friday, which was interpreted as another sign of a lack of progress.

"Wright and Byrd wouldn't have come over there if things were going well," an official said.

One senior official who is pushing the "2 percent solution" said that for all its political drawbacks it has the advantage of treating equally both Social Security beneficiaries and retired government employees.

In addition, the official said, it offers Democrats who are resistant to cutting those benefits additional tax revenues from the partial removal of indexing on individual incomes subject to taxation.

DOLLAR: *Stability Not the Answer*

(Continued from Page 1)

under U.S. pressure. But an official of the Bundesbank explained, "These are very marginal changes and reversible at any time."

As a result of the uncertainty over U.S. and West German policies, an American official said of a plan for a meeting: "It's not at all settled. There has to be real substance."

A meeting that strikes the markets as inconsequential would only bring retribution from the markets, the West German official said. "Just a meeting to confirm that everybody loves one another could be a disaster," he said.

The jolt of the crash in the stock markets, which has reduced the wealth of all the countries, and the fear that worse is yet to come may now be forcing a change in the tone of the Group of Seven's debates.

Already, the countries have at least scrapped some of their old courtesies. Top officials of Britain, France and Germany have been openly urging Mr. Reagan to raise taxes if necessary to reduce the budget deficits more. And Mr. Baker has publicly berated West Germany for slowing its economy, in the face of 1 percent inflation, by raising interest rates.

The dimensions of a change in policy that would leave the dollar more room to rise and fall cannot be gauged as yet. The unbalanced books of the world economy imply that the U.S. currency should decline 5 or 10 percent from its already low levels, according to some economists, or by 30 percent or more according to others.

Herbert Stein, who served as chairman of President Richard M. Nixon's Council of Economic Advisers, and Beryl W. Sprinkel, the chairman of Mr. Reagan's council, urge a quick fall in the dollar.

Whatever its pace or magnitude, a further decline normally means that Americans will pay more for the goods they import and that foreigners will pay less for American goods. It could also mean higher inflation unless the governments can manage to prevent it, and it means a lower standard of living for Americans.

This, some economists say, is the price the country must pay for five years of recession-free growth accompanied by an explosion of spending and borrowing by Americans and a greater reluctance to save than the consumers of all other major industrialized countries.

Since the U.S. retreat from its commitment to dollar stability that became evident in mid-October, the U.S. currency has declined 5 percent against the Deutsche mark and 4.5 percent against the yen.

At the next G-7 meeting, the German official said, the countries could once again profess a commitment to stable currencies.

"But you would probably see the word 'flexible,'" the official said, and an indication of acceptance of a lower level for the dollar than under the Louvre accord. "An agreement wouldn't mean absolute rigidity," he said.

The stable-dollar policy created problems. Relatively low U.S. interest rates encouraged consumers to spend much more than they would have otherwise, and this prevented a significant reduction of purchases of imports and thus a reduction of the trade deficit.

Because Japan and West Germany could keep their domestic economies afloat by selling goods to Americans, they had less incentive to cut taxes, lower interest rates or take other measures to stimulate their domestic economies and encourage their own consumers to borrow and spend.

Economists have been saying for months that at some point, the cycle of American spending and borrowing has to stop. The dive of the stock markets may have brought the message home.

Pronounced and prolonged reductions of the budget deficits, they say, would break the cycle because the United States would need less and less foreign help in financing the deficits.

Cutting the deficits also could throw the U.S. economy into a recession, they warn, and possibly many other economies that rely on American spending as well. A recession could strike because the process of cutting the deficits requires cutting government spending or raising taxes, which takes money out of consumers' pockets.

However, prodded by the incentive of a lower dollar, which means lower prices for American goods, and by reductions in their own interest rates, other countries would be expected to buy the goods that Americans could not buy.

GULF: *French Scandal*

(Continued from Page 1)

it needed the sales to stay in business. Daniel Dewavrin, president of Luchaire, said that the Defense Ministry had "covered" the sales.

Little was heard about the affair until the two conservative newsmagazines, L'Express and Le Point, ran their stories this weekend about a secret report by the French Army's comptroller-general, Jean-François Barba.

An investigating magistrate, Michel Legrand, is expected to ask Defense Minister André Giraud to declassify the report. The magistrate is not allowed access to confidential documents.

According to Le Point, the report says that between three and five percent of the profits from the shipments went directly to the Socialist Party. It said that the alleged funding diversions went through numerous intermediaries.

The article also said that Admiral René Lacoste, former head of the French intelligence service, told President Mitterrand and Jean-François Dubos, a technical adviser to Mr. Hernu, about the sales.

Le Point also stated that Luchaire sold some explosives to Iran that were the same type used in bombings in Paris in 1985 and 1986. Some officials have tied those attacks to Iran's supporters.

France severed diplomatic ties with Iran last July after an official in the Iranian Embassy refused to appear before a French judge to answer questions about the attacks.

SOVIET: *Problem for Gorbachev*

(Continued from Page 1)

out a more tolerant position about political debate.

"Even the most extreme viewpoint contains something valuable and rational, since a person who defends it honestly shows concern for the common cause," he said.

But he seemed to sense that this view could not yet be sustained in practice.

"Today we are going through a school of democracy anew," he added.

"We are learning. We still lack political culture, we lack the culture to conduct debate and respect the viewpoint even of a friend, a comrade. We are an emotional people. We will probably get over all this. We will mature."

The resolution of the Yeltsin case will show whether Mr. Gorbachev's view prevails or whether he is forced to accept the narrower boundaries implicit in Mr. Lukyanov's comments.

The absence of any report about the case in the Soviet press, and the censoring of the Tass report, suggests that the party leadership did not think the country ready for open coverage of internal disputes.

It is not the first time that information about domestic concerns has been made available for use abroad but not at home. In the days following the accident in April 1986 at the Chernobyl nuclear power plant, details about the accident and its consequences were presented for use by foreign correspondents but not the Soviet press.

ARMS: *Senate Battle Is Foreseen*

(Continued from Page 1)

sions that the long-standing dispute over arms in space could be resolved. This has been tied by Moscow to a strategic arms accord.

The Soviet position on Mr. Reagan's Strategic Defense Initiative has been changing, Ms. Ridgway said. "In time we'll find the basis for going forward with the program and they'll admit it," she added.

Mr. Carlucci also emphasized what he described as shifts in the Soviet posture toward SDI. The interesting thing about last Friday's talks with the Soviet foreign minister, Eduard A. Shevardnadze, said Mr. Carlucci, who was a participant in them, is that "the Soviets are discussing strategic stability."

"They are no longer talking about killing SDI," he said.

Both Mr. Carlucci and Ms. Ridgway said they believe that Mr. Gorbachev remains firmly in charge at the Kremlin, despite confirmed reports of dissension among leaders during a meeting of the Communist Party Central Committee recently.

■ Shevardnadze on SDI

Reagan administration officials said Saturday that the Soviet foreign minister, Eduard A. Shevardnadze, left Washington after indicating that Moscow might be adopting a new strategy for limiting SDI, The New York Times reported.

Instead of attacking the so-called "star wars" program, as Mr. Gorbachev has done in the past, Mr. Shevardnadze did not express special worry in his farewell news conference on Friday night about the military threat it posed.

Some administration officials said Mr. Shevardnadze's comments and similar Soviet statements did not mean that Moscow had backed away from its basic objective of setting strict limits on the scope of SDI tests, although they acknowledge that Moscow has indicat

Italian Body-Snatchers Demand $7.5 Million

Reuters

RAVENNA, Italy — The body of the founder of Italy's third largest business has been stolen from a cemetery by a group demanding 10 billion lire ($7.5 million) from the wealthy Ferruzzi family, police sources said Sunday.

The remains of Serafino Ferruzzi were reported missing from the family tomb in the northern city of Ravenna on Friday night after an anonymous telephone call to a newspaper.

Yaqub Khan Resigns From Pakistan Cabinet

Reuters

ISLAMABAD, Pakistan — Foreign Minister Sahabzada Yaqub Khan has resigned for personal reasons, the Associated Press of Pakistan news agency reported Sunday.

Mr. Yaqub Khan has held the post for five years. His resignation followed his withdrawal from the contest last month for the office of director-general of the United Nations Educational, Scientific and Cultural Organization.

Rally for Hamburg Squatters

Reuters

HAMBURG — About 5,000 protesters threw stones at police, injuring an official, and broke windows during a demonstration in support of squatters Saturday, the police said. There were no arrests.

DOONESBURY

In Colombia, Uncontrolled Violence Breeds a Sense of Chaos

By Alan Riding
New York Times Service

BOGOTA — Within the space of a few days this month, the leader of Colombia's main leftist party was assassinated, the country's best-known sculptor was kidnapped and several prominent writers and artists were forced into exile by death threats.

That was not all. A bomb damaged the Defense Ministry in Bogotá, 16 people were killed one afternoon by feuding emerald-smuggling rings, and gunmen of the left and right added several dozen to the estimated 1,200 political killings so far this year.

Even for Colombia, a country long accustomed to levels of violence that would be considered intolerable elsewhere, the events of recent weeks have proved too much to ignore.

The immediate response of many Colombians has been to blame the government of President Virgilio Barco Vargas for a breakdown of law and order.

There is also new recognition that, while Colombia is in no imminent danger of being taken over by leftist or rightist extremists, uncontrolled violence is seriously undermining the country's democratic institutions.

But perhaps most of all, the crisis has exposed a deep sense of powerlessness.

"The population is perplexed," said Enrique Santos Calderón, a newspaper columnist. "People ask, 'Why is this happening?' and 'Who wants to destabilize the country?' and then they answer according to their intuitions and passions."

Trends nonetheless exist. While at different times violence has come principally from leftist guerrillas and narcotics traffickers, there is now strong evidence that extreme rightists are waging war against nonviolent leftists.

The killing of the leader of the leftist Patriotic Union, Jaime Pardo Leal, on Oct. 11 served as the catalyst for the latest soul-searching, but it was in no way an isolated incident. Over the last 18 months, close to 500 other party members have been killed.

Death threats sent out to a number of priests, academics, lawyers, journalists, and artists have in turn spread terror to groups outside the Patriotic Union. Several of those threatened had denounced the rightist campaign. But in other cases, the motive was unclear.

For many Colombians, the severity of the crisis became apparent only when they learned that many prominent people — among them, the actress Vicki Hernández, the musician Sergio Acevedo, and the journalist Daniel Samper Pizano — had fled the country.

Yet while the leadership, structure, and activities of the country's leftist guerrilla groups are well known, no one has been able to identify the members of what is apparently an active and well-organized extreme right.

There is well-documented evidence of the participation of some army officers in rightist death squads.

But despite chants at Mr. Pardo's funeral accusing the defense minister, General Rafael Samudio Molina, of responsibility for his death, there is no proof that the army as an institution has adopted "dirty war" tactics.

The Patriotic Union contends that in many troubled regions, the extreme right includes cattle ranchers, narcotics traffickers and politicians, as well as army officers. Yet those who are coordinating what leftists call the "extermination campaign" at a national level have not been identified.

Bernardo Jaramillo Ossa, the 33-year-old lawyer who succeeded Mr. Pardo as head of the Patriotic Union, said the extreme right's objectives at least are clear.

"It wants to drive us out of the political arena, to force us to abandon the democratic struggle, to make us boycott next March's municipal elections," he said. "We're not going to give it that pleasure."

Many politicians link the latest wave of violence to the elections, scheduled for March 13, because for the first time in the country's history mayors will be elected rather than appointed by the central government. Thus, where the Patriotic Union might win, it is coming under attack.

While warnings are heard that Colombia is sliding irrevocably toward the kind of polarization that has convulsed El Salvador in recent years, this country's crisis still somehow escapes easy stereotyping.

The economy, for example, is growing strongly. The battle lines between left and right are not clearly defined, with many conservatives anxious to disassociate themselves from the extreme right and some leftists openly critical of guerrilla tactics. And while violence in Central America is mainly political, things are complicated in Colombia for many reasons.

The kidnapping last week of the sculptor, Rodrigo Arenas Betancourt, was a case in point. He was grabbed in Medellin, a city where leftist guerrillas, narcotics traffickers, paramilitary gangs, and common criminals all operate with apparent impunity. Yet none took responsibility for the crime.

There were more than 11,000 killings in Colombia last year. Many of them are attributed to personal vendettas and crimes of passion, particularly since even minor disputes are routinely settled with firearms.

Further, violence has undergone a qualitative change in Colombia this decade with the introduction by major cocaine traffickers of the paid assassin.

Known locally as *sicarios*, these gunmen have over the last three years killed a justice minister, some 50 judges, and more than a dozen journalists who dared challenge the power of the drug barons who form the so-called Medellin Cartel.

Since mid-1987, when terrorized judges and politicians finally abandoned efforts either to jail major traffickers or to extradite them to the United States, drug-related violence has sharply diminished.

"The drug bosses now feel relaxed," one foreign narcotics expert said. "They don't need to kill anyone because they have gotten their way. They're exporting more cocaine than ever and there aren't even arrest warrants out for them."

In the process of intimidating society, the drug mobsters have effectively destroyed Colombia's system of justice, which now seems incapable of confronting an array of other criminal or paramilitary groups.

■ 10 Policemen Killed

Ten police officers were killed when their vehicle was blown up by a mine in an ambush by guerrillas in northeastern Colombia, a military spokesman said, Reuters reported from Bogotá.

The attack took place Friday near Betoyes, in Arauca Province, some 180 miles (300 kilometers) northeast of Bogotá.

In another incident on Friday, a municipal councilor and local leader of the Patriotic Union, was killed by two gunmen while traveling in a bus in the eastern province of Meta.

Sole Party in Tanzania Keeps Nyerere at Helm

By Sheila Rule
New York Times Service

NAIROBI — Julius K. Nyerere, who ruled Tanzania for 24 years, has been overwhelmingly re-elected chairman of his country's sole political party.

Mr. Nyerere, 65, was elected to a five-year term Saturday, receiving 1,878 of the 1,910 votes cast at the party's 10-day convention. He was the only candidate nominated for the post by the party's national executive committee, and delegates were allowed to vote only yes or no.

Ali Hassan Mwinyi, the Tanzanian president, was the sole candidate for the position of party vice chairman. He received 1,907 votes; three delegates voted against him.

To stem economic decay, Mr. Mwinyi signed an agreement with the International Monetary Fund, an organization that has long been a target of criticism by Mr. Nyerere. Western aid donors have voiced pleasure over Mr. Mwinyi's moves to revive the economy, and the changes have been popular among Tanzanians, who are able to buy basic consumer goods after years of deprivation.

Higher producer prices and favorable weather are leading to an agricultural recovery, and foreign aid is pouring into Tanzania.

Mr. Nyerere led Tanzania to independence from Britain in 1961. He turned over the presidency to Mr. Mwinyi in November 1985 but retained the powerful position of chairman of the governing Chama Cha Mapinduzi Party.

When he stepped down as president, Mr. Nyerere said he would turn over the party post to Mr. Mwinyi when his term expired at the end of October.

As the economic recovery program began to loosen government controls, however, Mr. Nyerere, an orthodox Socialist, showed signs of changing his mind.

Mr. Nyerere reportedly said that he had agreed to accept re-election because the party needed strengthening and because pressing domestic and international issues called for a sharing of power.

Foreigners and Tanzanians who follow politics in the country said, however, that some party members had pressed Mr. Nyerere to keep the chairmanship.

"The only reason Nyerere wanted to stand was to curb reforms," a Western diplomat in Dar es Salaam, the capital, said in a telephone interview. "There is a lot of pressure to make sure economic reform does not translate into ideological reform."

Ortega Juggles Moscow Mission With Peace Plan

By Julia Preston
Washington Post Service

MANAGUA — President Daniel Ortega Saavedra has left for a five-day trip to Moscow at a time when Nicaragua faces mounting economic hardship and when the Soviet Union has begun to set limits on aid.

Mr. Ortega said on Saturday that he would return home by Thursday, the first deadline for a peace plan he signed with four other Central American presidents. That means he will leave before Nov. 7, the most important day of the weeklong celebration of the 70th anniversary of the Bolshevik Revolution.

Mr. Ortega's truncated trip to Moscow for a meeting of world leftist leaders reflects the bind Nicaragua is in. It is tugged toward the Soviet bloc by a pressing need for aid and pulled back to Central America because the peace accord could bring an end to U.S. support for the rebel war that helped cripple the Nicaraguan economy.

There have been discreet Soviet messages this year, however, that Nicaragua should not expect increased aid and should use what it has more efficiently. This has contributed to Mr. Ortega's decision to sign the Central American accord on Aug. 7 in Guatemala, diplomats in Managua said.

A visit to Moscow by Mr. Ortega at another critical juncture, in April and May of 1985, caused the U.S. Congress to reverse itself on aid for the rebels, known as contras, and approve the first of two aid packages totaling $127 million.

Mr. Ortega, discussing his current trip at a news conference Saturday, said, "Nicaragua is not another state of the union. I don't have to give any explanation to the U.S. Congress about why I'm traveling to Moscow."

The Nicaraguan president stopped off in Havana for two hours of talks with the Cuban leader, Fidel Castro.

"We have political ties with the Soviet Union we have to take care of," Vice President Sergio Ramirez Mercado said earlier this month. "We're not interested in producing any chill with the Soviets because we've had a very positive relation with them which we're not the least ashamed of and want to cultivate."

Diplomats from both East and West in Managua were surprised when the Soviet Union appeared to insist that Mr. Ortega be in Moscow during an important week in the development of Central America's peace plan.

The compromise decision that he return early seemed a logical concession to regional pressures, the diplomats said. Soviet officials strongly supported the Guatemala accord in recent statements.

"If 60 percent of your economic aid comes from the Soviet bloc, you go to Moscow, a Foreign Ministry official said. "It's the place for contacts."

The most painful unresolved issue is Nicaragua's oil supply. The minister for foreign cooperation, Henry Ruiz Hernández, appealed Thursday at a gathering in Managua of officials from the Council for Mutual Economic Assistance for 365,000 barrels of oil that Nicaragua needs for the rest of this year. The council is the Communist trade bloc.

Mr. Ramirez said he learned in meetings in June in Moscow that the Soviet government for the first time would not promise to cover Nicaragua's minimum budgeted petroleum requirements. In 1986, the Soviet Union provided 4.6 million barrels. This year they guaranteed only about three million and told Mr. Ramirez to get the rest from other East bloc nations.

Over the summer, Mr. Ramirez traveled to Hungary, Libya, Iran, Iraq, Czechoslovakia, Poland and East Germany, among other nations. But these countries were stingy with oil, which in some cases came from their own shrinking Soviet allocations.

"As it stands now they are facing a real fuel bind come December," a foreign economic analyst said.

Mr. Ramirez said, "The question is still open about what will happen next year."

Meanwhile, the quality of the new Soviet fuel is reportedly so bad that it is causing cars to emit thick gray smoke and has been blamed for four recent crashes of crop-dusting planes in northern Nicaragua.

"The U.S.S.R. is sending a clear message to Nicaragua: there is a cap to its commitment," said an ambassador in Managua. He theorized that the Kremlin's new tack is part of a larger policy shift to improve relations with nationalist governments in Latin America rather than favoring radical revolutionary regimes and movements most antagonistic to the United States.

This year, Soviet aid aside from oil, and not including military equipment, will come to the equivalent of $350 million, Mr. Ortega said in a recent speech, with another $150 million from other East bloc nations. By contrast, aid from non-Communist countries amounted to about $100 million. The United States provides no aid to the Sandinist government and enforces an embargo on trade.

Most of the foreign aid comes in credit lines on "very easy terms," Mr. Ortega said.

The first glimmers of Soviet displeasure came with a visit in March of a Soviet official, Boris N. Yeltsin. He reportedly complained of low gas prices at the pump — still at about 10 cents a gallon — sloppy administration of Soviet aid and poor quality of Nicaraguan exports to the Soviet bloc.

The Associated Press

Henry Ruiz Hernández, the Nicaraguan minister of foreign cooperation, right, talking with Pyotr Koshelev, a Soviet delegate, at a meeting in Managua of Communist officials.

Yugoslav Leader Visits Cuba

Reuters

HAVANA — President Lazar Mojsov of Yugoslavia arrived in Cuba on Saturday on a three-day visit for talks on trade and international issues, Cuban officials said. He is also to visit the site of the island's first nuclear power plant in Cienfuegos.

International Herald Tribune
Published With The New York Times and The Washington Post

Ten Days to Remember

The 70th anniversary celebration of the Bolshevik revolution opens today, with Mikhail Gorbachev expected to start weaving back into Soviet history some of the many pages long ago torn out. The Bolsheviks thought themselves the vanguard of a socialist movement that would sweep the world. Those who commemorate the revolution now struggle with a troubled system.

General Secretary Gorbachev wisely seems to believe that he cannot build a future on past lies. There is no better way to penetrate the cynicism that pervades Soviet views about reform. But he must go beyond the worn excuses seen in the first glimpses of his forthcoming book.

John Reed, an American, provided an eyewitness account of the revolution in his book, "Ten Days That Shook the World." And so they did, for seven decades. Mr. Gorbachev might now well address 10 distinct, particularly troubling days, each symbolic of larger questions.

March 15, 1917: The overthrow of the czar. The monarchy's end was followed by a provisional government that sped up modernization. It was these liberals and their democratic ideals that the Bolsheviks overthrew.

Nov. 7, 1917: The Bolshevik seizure of power. This is the revolution the Russians will celebrate, surely with great praise for the man who led it. But can they acknowledge that a part of Lenin's legacy was to reject the market forces and diversity of ideas whose return reformers now seek?

March 17, 1921: A new economic policy. Economic collapse forced Lenin into a large dose of free enterprise, in a program very much a model for today's reformers. The NEP did much to restore economic health. But its success generated enemies among the more orthodox Communists.

Jan. 21, 1924: Lenin's death. The bitter succession struggle, like the argument over the NEP, signified the clash of opinion over how best to pursue the goal of socialism. Leon Trotsky argued that it could never thrive in one state alone, and that limited resources should go into the production of consumer goods. Stalin, his eye on building power in the Soviet Union, pressed instead for industrialization and weapons, and won. Trotsky was later assassinated in Mexico — and written out of history.

Dec. 1, 1934: The assassination of Kirov. Circumstances surrounding the death of Sergei Kirov, the Leningrad party leader, were cloudy; many people suspected that Stalin was the instigator. The assassination stands at the start of 25 years of terror, in which Stalin wiped out enemies, real and imagined, perhaps by the millions, and brutally forced collectivization in his struggle to build an industrial giant and military superpower.

Aug. 23, 1939: The Nazi nonaggression pact. That Stalin made such a cynical and monstrous pact with men he had so long and so fervently denounced shocked the world. It contained a mutual pledge of neutrality and a secret agreement to divide Poland. Thus it provided a foretaste of Soviet domination of Eastern Europe.

Feb. 25, 1956: Denunciation of Stalin. When Nikita Khrushchev denounced Stalin at the 20th party congress, he began airing the secrets of 25 years of terror and easing repression. But the man who allowed the publication of "One Day in the Life of Ivan Denisovich" denied the same to "Doctor Zhivago." He told Boris Pasternak that if he collected his Nobel Prize he could not return.

Nov. 4, 1956: The Hungarian revolution. The Khrushchev speech was attacked as an assault on party discipline and socialist morale worldwide. Soon after it, Hungarians seeking freedoms and autonomy learned that there was no room for such independence in the socialist alliance.

Oct. 14, 1964: Khrushchev's ouster. For what Pravda called "harebrained schemes" and "hasty decisions," the erstwhile reformer was stripped of power. Foreign pleas for explanations brought few. The effort to erase Khrushchev from history began.

Aug. 20, 1968: Crushing of the "Prague spring." Soviet tanks rolled into Czechoslovakia to smother the quest for democratic socialism. Leonid Brezhnev responded to international outrage with his doctrine: Soviet interference in other Communist states is justified by a "threat to the security of the socialist community as a whole."

On March 11, 1985, Mr. Gorbachev assumed power, and he continues to surprise the world. His leadership follows 20 years of economic stagnation. His commitment to change is tested by Communist Party ideology and bureaucracy, and by the xenophobia, security mania and mistrust of innovation bequeathed by Russian history.

There are history lessons here, and not only for Russians. A look at the last 70 years shows that the U.S.S.R. has not been a static place, nor communism an unchanging system; nor did reform begin with Mr. Gorbachev. But he wants to carry it much deeper.

He celebrates the Bolshevik revolution not simply for ritual but to advance his own revolution. The prospects for this new revolution are utterly unpredictable. Unmistakable, however, is the depth of proposed change. The system may be a super-bureaucracy but it has produced a leader who himself shakes the world. Those who believe that they can deal productively with this Soviet revisionist on the basis of old platitudes need some new vision of their own.

— *THE NEW YORK TIMES.*

Back to Space Defense

Mikhail Gorbachev is to arrive for a Washington summit on Dec. 7, after all. He and Ronald Reagan will sign a treaty eliminating medium-range missiles, a treaty that is a political issue in Republican circles but otherwise appears to enjoy broad public support in America. The two leaders will move on to discuss larger issues of strategic arms plus the other issues of Soviet-U.S. relations.

Why, a week earlier, had Mr. Gorbachev set a summit condition of prior U.S. concessions? There are lots of interesting theories. The important thing is that Mr. Reagan declined to panic and in a short time the Kremlin backed off. For Americans to try to play the angles in the Kremlin is foolish. What counts is to calculate the American interest, and then to follow through.

Events are back on the track they were on before the week that wasn't: the track of a confrontation over space defense. Mr. Reagan insists that vigorous American pursuit of his Strategic Defense Initiative is essential to security and peace, and Mr. Gorbachev insists that such pursuit is anathema. Mr. Reagan argues that agreement on a 50 percent cut in strategic warheads, his priority, should not be held hostage to space defense. Mr. Gorbachev says that offense cannot be fixed until you know what defense it might have to overcome.

On the level of principle it all sounds beyond agreement. Still, the issue may yet be nudged to a more pragmatic level. The Soviet approach is to use the Anti-Ballistic Missile Treaty of 1972 — the basic common document on defense — to put agreed limits on testing and development. The Reagan administration approach — well, there are two administration approaches.

One approach recommended inside the administration is to put the foot to the floor on the SDI in the hope that the progress thus to be gained will be worth more than any space defense accord with Moscow can bring. The other — the right course and the course Congress seems bent on enforcing by its power of the purse anyway — is to accept certain limits on testing and development in the expectation that nothing important in defense is lost by proceeding at a modified pace, and that much that is important in reducing the Soviet warhead threat is gained.

— *THE WASHINGTON POST.*

Other Comment

And Then Off We Go Again?

This week, defense ministers from NATO gather in Monterey, California, in a mood of celebration. The summit in Washington is finally fixed for Dec. 7, when President Reagan and Mikhail Gorbachev will sign a deal banning intermediate and shorter-range nuclear missiles that represents almost exactly what NATO has been seeking for the past six years. Backslapping over, the ministers will turn to consideration of their next problem: how to fill the "gaps" in their nuclear armory which will be left when the cruise and Pershing-2 missiles are gone. To those not privy to the arcane calculus of nuclear deterrence, it may seem odd — not to say absurd — to remove nuclear weapons with one hand only to replace them with the other. Yet that is exactly what NATO intends to do.

The new deployments are known in the trade as "compensatory adjustment," a phrase designed to sanitize the unpleasant truth: that NATO is so hooked on nuclear weapons that even a deal meeting its every expectation, and in which the Soviet Union has to give up a thousand more nuclear warheads than the West, is not good enough. Historic it may be, but it still needs to be compensated for in the only currency NATO apparently understands, nuclear warheads. NATO should think again. For if the West is entitled to "compensatory adjustments," is not the Soviet Union entitled to them, too? It would be the ultimate irony if an agreement that for the first time reduced the nuclear arsenals should prove the signal for a new buildup. That is the way to give disarmament a bad name.

— *The Observer (London).*

State Should Behave Itself

The State Department must come to two realizations. First, pared down budgets are a fact of government at this time. State thinks it performs an essential function, and that is true, but no agency of government today receives the amount of money it thinks it deserves. Thus, it should be a priority of all agencies, State included, to develop the wisest, not the most alarming, savings. Second, the department must realize that its seeming distaste and disdain for Congress's traditional and legitimate role have taken their toll, and it must begin to repair the damage.

— Representatives Dan Mica, a Florida Democrat, and Olympia Snowe, a Maine Republican, the chairman and the ranking Republican of the House Foreign Affairs subcommitee on international operations, writing in The Washington Post.

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OPINION

A New and Different Morning in America

By Jim Hoagland

PARIS — History's web has snared a swarm of dramatic events in the past two weeks and left them exposed in close proximity in its threads. The resulting pattern shows that we live in a world radically different from the one we inhabited just a few days ago — a world in which American influence and prosperity are on the decline.

On view now is much more than the weakened state of the Reagan presidency or the particular flaws of Mr. Reagan as a leader. The stripping away of the facade of the false financial structure erected on Reaganomics brings to the fore a transition in America's role in the world that the strength and dynamism of America has repeatedly postponed, but which is now at the door.

The wild gyrations of the stock market, the dollar and interest rates struck down reputations and fortunes not only on Wall Street and in other financial centers. U.S. prestige and leadership were also marked down sharply, in a reaction that not even the current market rebound and the Dec. 7 U.S.-Soviet summit are likely to overcome.

Lingering damage seems to have been done to the idea that U.S.-style free markets are the irresistible wave of the future. In Britain and France, conservative prime ministers who have proudly promoted the sale of stock market shares in denationalized firms to the people, as a way of spreading capitalism (and boosting their own political fortunes), suddenly have egg all over their faces.

Left-of-center parties are seeing their recently discredited policies of strong market regulation and economic intervention take on new life as a result of what is widely seen as an American-caused debacle. The leftist governments that took the brunt of the political fallout of the 1979 oil shock will savor this potential reversal.

With America mesmerized by Wall Street, sudden lurches in the Soviet-U.S. dialogue and the failure of a weakened president to get the Supreme Court justice of his choice, efforts to develop alternatives to dependence on U.S. leadership appeared to move into a higher gear in many places.

Bonn and Paris escalated discussion of French-German cooperation on nuclear strategy, which has always been a coded way for the West Germans to express doubts that they cannot voice directly about U.S. security policies. (Neither government has any real interest in the subject on its own merits.) In The Hague, seven West European governments issued a new security declaration in an implicit vote of diminished confidence in American abilities and commitments.

In the Gulf, Kuwait watched in dismay as the United States declined to retaliate for an Iranian attack on a vital Kuwaiti oil terminal. The Kuwaitis then let it be known that they were deeply involved in talks with Egypt about Egyptian military protection in return for massive economic aid.

The decision to show restraint for the attack on the terminal was prudent. The well conceptualized retaliatory strike against an Iranian oil platform the week before also deserves praise rather than criticism. But such actions cannot be separated out from the failure of overwhelming American military force to calm the Gulf, nor from the impact of the financial crash on American allies.

The image of U.S. Navy gunners shooting up a deserted Iranian platform at about the time world stock markets began to crash symbolizes the refusal of this administration to match open-ended military ambitions with diminishing economic autonomy. It is Mr. Reagan's unintended version of Conrad's gunboat senselessly lobbing shells into the African interior in "The Heart of Darkness."

A current, uncelebrated anniversary helps show that the transition ahead can be shaped into something that benefits America and the countries that share its values and economic system. It was just 30 years ago that colonial Europe began its final retreat, as the Gold Coast became Ghana. Ousted settlers and conservative politicians at home predicted disaster as European markets lost guaranteed suplies of rubber, cocoa, diamonds, peanuts and other commodities from Africa and Asia.

Today in the prosperous and sophisticated cities of Europe it is hard to remember what the fuss was about. Gradually freed of the burdens of colonialism, the Europeans plunged into the Common Market, which also began in 1957, and sped through a transition in which they became less important in running the world's affairs but more attuned to the needs of their own societies. They rely much more heavily on political and diplomatic skills to secure their role in a multipolar world.

Two weeks of turmoil indicate that something like that lies ahead for America. The task now is to manage that transition to America's advantage.

The Washington Post.

Six Measures to Put the World Economy Together

By Malcolm Fraser

MELBOURNE — After the collapse of stock markets around the world in recent days, many people are asking what will happen next. Obviously confidence is shattered and investors are very nervous.

Unfortunately, a number of bearish factors are already built into the situation, factors that are not dependent on sentiment or panic but on economic reality. Banks will be looking at all overdraft limits and lines of credit. Some have already been canceled or reduced. Many leveraged corporations or individuals will be forced to put assets on the market. This will put further downward pressure on an already difficult and sensitive situation.

In the United States, the stock market crash on one day alone destroyed 25 percent of corporate wealth. Australia fared no better. It is inevitable that purchases of consumer goods will be postponed or halted. Even those who have not invested in the stock markets will feel uncertain about the future. This is bound to have an impact throughout the coming year.

Many investment decisions will be put off or reversed as corporations wait to see how the current environment affects consumers.

These measures would revive confidence in the economic leadership of the Western world.

Deregulation in Western countries has added to these uncertainties. Many prudential rules were applied to financial markets in the 1930s to try to make it impossible for the Wall Street crash of 1929 to happen again. In the rush and unthinking worship of deregulation, many of those prudential rules have been abandoned. Financial institutions are now much more intertwined, making it more likely that misfortune in one area flows throughout the whole system. This is not an argument against deregulation. It is a criticism of the way it has been done.

There is no doubt that the U.S. budget and trade deficits are the basic causes of the current collapse. These twin deficits have undermined confidence in U.S. political and economic leadership. This is particularly evident in Japan — which is nowhere near as much responsible for the U.S. trade deficit as many Americans believe.

Between 1981 and 1986, the U.S. trade deficit with Japan increased threefold, but with the rest of the world it rose fivefold. With Japan, the deficit grew in U.S. dollars from $40 billion to $58 billion; with the European Community it went from a $9 billion surplus in 1981 to a $26 billion deficit in 1986. The deterioration was $18 billion with Japan. It was almost twice as large, $35 billion, with the EC.

A number of steps need to be taken as a matter of urgency:

• Congress and the White House should come to a quiet but speedy agreement on a $50 billion cut in the U.S. budget deficit this year and a further $50 billion cut next year. Congress and President Reagan should be prepared to compromise so that spending cuts in areas including defense can be accompanied by some tax increases. A substantial lowering of the budget deficit would almost certainly be deflationary, but unbalanced American policies have continued so long that there is now no other option.

• Having come to an agreement with Congress, the president could use the accord to persuade West Germany, Britain and Japan to undertake appropriate expansionary policies. Japan has started this process, but after a major cut in the U.S. budget deficit it could probably move further.

• Britain should be persuaded to join the European Monetary System. Then the United States, Japan and the EC should consult about ways to stabilize exchange rates. An expanded EMS would be feasible. Wild fluctuations of up to 70 percent between the yen and the U.S. dollar have been very profitable for financial markets but enormously damaging to old-fashioned trade, upon which the wealth of nations depends. The Plaza and Louvre agreements between central bankers were an admission that the major economies now recognize the enormous impediment that arises when foreign exchange rates are determined soley by market forces.

• There needs to be an agreement between the major central banks to keep interest rates as low as possible. But America's rates will have to be high enough to attract West German and Japanese investment to fund the U.S. trade deficit. Central banks have already bought up to $90 billion in U.S. government securities to stabilize the dollar this year. There is a limit to what they can do. America can no longer ignore reactions to its policies in creditor countries.

• Those countries whose banks are owed huge sums by countries in South America and other parts of the Third World should immediately forgive half of that debt, conditional upon reasonable policies by the debtor countries concerned. Such a measure should be regarded by the West and Japan as self-interest, not altruism. Most of the heavily indebted Third World countries have already experienced a big decline in living standards which were never high in the first place. Relieving them of a substantial portion of their debts would give them some hope for the future. If their economies were expanding, they would also be buying from the industrialized world.

• President Reagan should commit himself to veto any new protectionist measures from Congress and seek equivalent commitments from other major industrial states.

These steps would revive confidence in the economic leadership of the Western world. That would put a floor under financial markets. They would not return to previous heights, but the fallout could be contained.

Even with these corrective measures, recession is probably inevitable. But if remedial steps are not applied, the West will face a major depression.

The writer, a former prime minister of Australia, acts as a consultant to companies in Australia, the United States and Japan. He contributed this comment to the International Herald Tribune.

The Good Scenario is the Complex One

By Yoichi Funabashi

WASHINGTON — The expected happened. The financial meltdown on Wall Street sent shivers through the United States, with numerous comparisons of October 1987 with the crash of October 1929. Five years ago House Speaker Tip O'Neill said that President Reagan was a smiling Herbert Hoover. That comparison now seems extremely apt.

The United States, superpower that it is, became a debtor nation in 1985, and its debt has snowballed steadily to the point that some anticipate a bankruptcy in the mid-1990s under the weight of a $1 trillion debt. Reaganomics brought a 1981 tax cut and an expensive military buildup that have generated a huge budget deficit, high interest, unwarranted strength in the dollar and a chronic trade deficit.

Mr. Reagan has so far rejected a tax increase. He has chosen instead to hold the dollar artificially lower against the yen in a failed attempt to cut the trade deficit. Without a correction of the present course, the annual trade deficit threatens to swell to well beyond $100 billion in the next several years. The result would be more debt and greater dependence on other countries, especially Japan, to invest the capital needed to generate interest payments and moderate the deficit. The stock market plunge may thus be the early symptom of the failure of the "soft landing" scenario and the signal that a much more jarring "hard landing" is to come.

Repeated interventions by central banks in the Group of Five (Britain, France, West Germany, Japan and the United States) after the 1985 Plaza accord and the 1987 Louvre agreement have pulled the dollar from the brink by injecting $70 billion to $80 billion. The result has been a sharp increase in the money supply and more inflationary pressures. When the Federal Reserve Board raised interest rates early in September to prop up the dollar, it was seen as a signal of still higher interest rates to come.

As the Bank of Japan and the Bundesbank moved their own policies toward higher interest rates to thwart creeping inflation, U.S. Treasury Secretary James Baker sought to halt the move. Then markets sensed that the Louvre agreement on currency stability was just talk.

The point is that the United States is no longer the economic world leader. It is the country with the biggest debt, living on a hand-to-mouth combination of clever dollar-cheapening moves to make the debt look smaller. Markets seem to regard the United States now as being incapable of a solution, and to consider Japan, despite its strength as a creditor, as being unwilling to be the "international lender of last resort."

Where will it all lead? Here are three possible scenarios:

Scenario 1, the worst case, sends out a wave of dollar selling within a few weeks, taking the value above the 130-yen range. Interest rates skyrocket and inflation fears lead Japanese institutional investors to pull away from their U.S. investments. That sends the dollar lower and freezes consumer spending. The U.S. Congress enacts a protectionist trade package.

Scenario 2 is less drastic. The market, disappointed with America's inability to cut its deficit, puts more pressure on the dollar. Selling depresses the dollar lower than 130 yen by mid-1988. Anxiety over creeping inflation and rising interest rates results in a worldwide recession in 1988.

Scenario 3 is the most desirable, but the most complex. Stock prices edge lower, but a tight money supply stabilizes the dollar, limiting the trade deficit. Mr. Reagan and Congress cooperate on an aggressive combination of budget-tightening cuts and higher taxes. The combination convinces central banks in Japan and West Germany that they should ease their own monetary policies. The effectiveness of such measures would depend on the changes during the first six months, when the growth rate would be expected to be nearly zero.

Despite the obvious wisdom of the last scenario, no one could deny the real possibility of the first, worst-case scenario coming about. How could the best of the three paths be attained?

The United States needs to show fundamental budget-cutting, revenue-raising action to the world as quickly as possible. The business climate is crucial, because intemperate cuts could only make things worse. Congress should eliminate protectionist language from its trade bills, because such measures could undermine the already weakened dollar. The notoriously protectionist Smoot-Hawley Act of 1930 must not be repeated.

The Federal Reserve should establish credibility with a clear policy on money supply, and Japan and West Germany should follow suit. A new world monetary system is essential for a solid policy coordination. G-7 countries should explore the possibility of forming something like a flexible tripartite currency target zone that might combine the European Monetary System with a yen-dollar target zone.

The task before Noboru Takeshita, Prime Minister Yasuhiro Nakasone's successor, is to maintain the current fiscal stimulus policy, implementing the recommendations of the Maekawa report to shift Japan's economy from its export emphasis to one led by domestic demand, and to promote vigorous policies to recycle Japan's trade surplus to the rest of the world. The stability of the world's economy will depend on how the trade surplus recycling is conducted. If it fails, Japan might eventually be labeled the instigator of a worse financial meltdown.

In addition, Japan should resolve its trade friction with the United States on such issues as closed bidding on Japan's public works projects and permitting foreign rice growers access to the domestic market. This would help assuage the U.S. Congress and ease the threat of protectionist legislation.

The writer, a former Washington correspondent for the Asahi Shimbun, is a visiting fellow of the Institute for International Economics in Washington. © 1987 Asahi News Service.

Let's Have Volcker Out Front

By Anthony Lewis

LONDON — A financial world fearful of incompetence in the American government is looking desperately for reassuring symbols. People want a sign that Washington understands the seriousness of the economic threat. They want to see a willingness to put aside political fancies in a search for common purpose.

The eagerness for restored faith in U.S. leadership is tangible. What actions would be symbolically effective in the task of restoration?

"Bring Back Volcker." That was the heading on a letter published in London the other day. The same sentiment could no doubt be found in other international financial centers.

Paul Volcker made his mistakes as chairman of the Federal Reserve Board, but there is immense international confidence in his nonpartisan financial judgment. To bring him back into the picture would be a potent symbol of reason and determination.

What might Mr. Volcker do? He could be brought in as secretary of the Treasury in a reshuffle of the Reagan cabinet and White House staff. Or he could be a special ambassador to organize an urgent international meeting on the financial crisis.

Such a meeting would itself be an important symbol. We have learned in the last two weeks how technological change has created a single world financial market. Any shock in Tokyo or London or New York reverberates on the other markets at once. More than ever, the Western economies must hang together — or separately, as Ben Franklin said.

The purpose of a conference would be to demonstrate that the political leaders of Europe and Asia and America understand their countries' interdependence and are ready to put aside narrow self-interest and ideology for common goals. It could be an effective gesture in restoring confidence, but there is a catch: It has to work.

The gloomy precedent that warns of the risk of failure was the London Economic Conference of 1933. It was designed to take cooperative steps to relieve the world depression, but Franklin Roosevelt torpedoed it. National trade barriers grew worse. So did the economic decline.

A conference now would be worse than useless without undertakings from the major participants before it was held — earnests of commitment to the common purpose of restoring confidence. It is not hard to see what some of them would have to be.

Reducing the U.S. budget deficit is the first requirement. Some economists warn that government spending cuts and tax increases are unwise as the economy faces possible recession. That is logical, but in this case the symbolic need is overwhelming. The world wants to see that Mr. Reagan is ready to put aside the ideological obsessions that have led to profligacy.

In return for evidencing fiscal restraint at last, the United States will want commitments from its key economic partners to more relaxed monetary policies. That is, West Germany and Japan will have to take the risk of some inflation and expand their economies if there is to be meaningful international cooperation.

The American symbols needed are not limited to steps by the executive branch. Something is required of Congress, too, and no one can be in any doubt what that is. It is to give up the effort to pass a protectionist trade bill.

Can anyone imagine a surer way to international financial ruin than final passage of Representative Richard Gephardt's trade bill? It would evoke memories everywhere of the Smoot-Hawley Act, the tariff increase of 1930 that intensified the collapse.

But in the American system the main source of leadership has to be the White House. Only a president can rally the people in difficult times, reason with Congress, overcome differences with allies.

To say that is to recognize the essential difficulties of economic confidence-building today. Mr. Reagan cannot himself restore confidence in New York or London or Tokyo, because everyone in the financial world knows that he does not understand the problem. Facing a profound threat to his country, he spends his time reading out preposterous diatribes about the Senate and the Supreme Court.

That is why Mr. Volcker's return would be more than a symbolic gesture. He would not come back to public office unless he could act effectively. If he came back under such terms, President Reagan would have to stop uttering his economic fantasies. He would have to follow Mr. Volcker's lead, and that would matter.

The New York Times.

100, 75 AND 50 YEARS AGO

1887: In the Next War

PARIS — General Count Waldersee, who is regarded as the ultimate successor of Count von Moltke, said recently in a conversation with the Bavarian Minister to Berlin: "In the next war with France, I do not believe that Germany will be supported by Austria. My last sojourn in Moravia convinced me of that. But Italy, who always fears that the French Catholics wish to restore Rome to the Pope, will make common cause with us. Her army of 280,000 men would cause an important diversion, and would assure our triumph."

1912: Panic in Turkey

CONSTANTINOPLE — The news of the Turkish reverses is slowly filtering through to Constantinople, and, owing to the increasing uncertainty and alarm, the population is growing more and more apprehensive. There are evidences on every hand that grave trouble is approaching. From all quarters many doubtful elements are converging on Constantinople. Fierce Kurds roam about, conversing in angry whispers, as if they were inciting each other to acts of violence. Rumors are current that 15,000 Turkish soldiers who deserted after the disaster at Kirk Kilisse are approaching Constantinople, plundering the villages and farms as they pass. Stamboul is flooded with hungry refugees, who have been driven into the city panic-stricken by the advance of the Bulgarian armies.

1937: For the Fallen

PARIS — A gray sky and the slow, vibrant notes of the bugle encased the homage paid yesterday [Nov. 1] on Toussaint at thousands of French cemeteries to the French dead. In the tiny villages of France, the ceremonies were simple; in Paris and surrounding towns, high governmental officials and representatives of almost every nation joined in tribute to the 1,357,800 who fell two decades ago.

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International Herald Tribune Special News Report Monday, November 2, 1987

The Dutch Dilemma

IN THE NEWS

March 19: Port Union Suspends 9-Week Strike

The Dutch transport union suspends a nine-week strike at Rotterdam port while an Amsterdam court considers the union's complaint. About 4,500 workers in the general cargo sector went on strike to protest plans to lay off 350 workers.

Sept. 15: New Budget Eases Austerity

Providing respite from past austerity, the coalition government unveils its 1988 budget to parliament. Finance Minister H. Onno Ruding's budget calls for a trimming in personal income taxes for the first time in seven years. As a result of public spending cuts of 4 billion guilders, the central government's budget deficit is expected to shrink by 0.4 percentage points to 7.2 percent of national income in 1988.

Oct. 1: Dutch Sign 5-Nation Accord on Rhine

Although compensation is still being negotiated for damages caused by a chemical fire last November at a warehouse of the Swiss chemical company Sandoz, the Netherlands expressed satisfaction with a three-stage plan reached by environment ministers from the five states bordering on the Rhine to clean up the river by the year 2000.

Oct. 5: Villages Protest Refugee Settlement Plan

Several villages in the southeastern part of the Netherlands stage demonstrations against the government's effort to place newly arrived political refugees outside the traditional settling points of The Hague and Amsterdam.

Oct. 26: Government Takes A Stake in Fokker

The government announces that it would take a minority stake of up to 49 percent in the aircraft maker Fokker as part of a financial rescue package reached with the company's banks. Under the accord, the firm, NV Koninklijke Vliegtuigenfabriek Fokker, would receive 527 million guilders in new funding from banks and the government.

Strains of Conscience

On Permissiveness And Stormy Skies

By Peter Brusse

AMSTERDAM — A year ago, in a Paris hotel, I overheard a conversation of American lawyers who were attending an international conference. One of them said: "I love Europe. I go there as often as possible. France, Italy, Germany, but not to Holland anymore. Amsterdam used to be great. It is finished. Rotten to the core. A shame. Don't go there."

I was shocked and offended. How different from the postcards I used to get from foreign friends telling me: "Apart from the dogs, Amsterdam is such a lovely little place."

In the last months, waves of bad news coverage have been hitting our dikes. Time magazine asked in a cover story: "Has permissiveness gone too far?" The German weekly Der Spiegel followed suit, and the British magazine The Economist stated in a survey on Holland: "Europe's neatest and tidiest country is beginning to look a mess." And it was not just the dogs. Amsterdam, it was said, had its virtues of tolerance and pleasantness thrown away. It now was a violent city of heroin addicts, child pornography and canal muggings.

Reactions in the Dutch media were often fierce. A Dutch journalist who had worked on the Time article was accused of betraying his country. Editorials proved that we are more nationalistic than we dare to admit. They spoke in terms of the American slogan during the Vietnam War: "Like it or leave it."

The problem, of course, is that most of the articles in question were written by foreign visitors who had already left.

Some commentators reacted with an "I told you so." The Foreign Office gave instructions to the Dutch embassies on how to give a positive picture of the Netherlands. Our exporters reassured the nation with: "Our trade is not threatened by the adverse publicity."

And, as so often in our history, the Dutch group together and pray: Oh Lord, let the storm die out.

We know that we are misunderstood. We are different but tend to forget that all countries proud of their identity are different and have different views.

We often give the wrong impression.

I went to England as a correspondent during the Swinging Sixties. It was the era of the Beatles, Carnaby Street and Mary Quant. I experienced that time as a celebration of new freedom. Anything seemed possible. It was great fun. The Netherlands, too, went through a playful era. But seen from England, I was aware of a typically Dutch moralistic streak. Anarchistic youngsters (along with members of the Amsterdam City Council) disrupted military tattoos by emptying buckets full of colorful marbles in front of the soldiers. The soldiers lost their balance and behaved as if they were walking on ice. It was fun but serious as well. It was the expression of strong anti-military feeling.

And Holland being Holland, the anti-authoritarian, permissive movement was bound to reach the church, mainly the Catholic Church (a third of the population was registered as Roman Catholic). Dutch priests got worldwide attention either by marrying homosexual couples or by getting married themselves.

I remember going to a London dinner party, where I met a local parish priest. He accused his Dutch brethren of being heretics and talked of the Dutch church as a new Sodom and Gomorrah. I tried to explain that those married priests were far from sex-mad creatures but very sincere men. They were struggling for the truth in a permanent fight with their conscience. They were not lighthearted escapists; they were heavy-going moralists. I argued that he should not forget that the Dutch Catholic Church was, as Dutch society itself, impregnated by Calvinistic puritanism. "If you want to understand our character, you have to look at the skies in the Dutch landscape. They are heavy and gray and always on the move," I said.

I wonder if the nice London priest is still around. If so, he should visit the beautiful exhibition of 17th-century Dutch landscapes in the Riksmuseum in Amsterdam. In its catalogue, the art historian Josua Bruyn argues that those famous landscapes of Rembrandt, Ruisdael and Goyen, are not a glorious expression of a proud and new Dutch Republic. These "revolutionary, realistic" paintings, Bruyn believes, are in fact morality tales. They are warnings against the sins and vanity of life on Earth. The dilapidated farmhouse shows the vice of idleness, the inn is the temptation which the pilgrim on his path to the eternal light should avoid. He should cross the bridge of Christ the Redeemer. The drinking parties in the brothels remind the fearful people of the dangers of pleasures of the flesh. They are "painted sermons" and should not be seen as the titillations of a 17th-century permissive society.

Of course, it would be silly to suggest

Continued on page 9

PETER BRUSSE is deputy editor-in-chief of the Dutch newsmagazine Elsevier.

David Gothard

We know we are misunderstood.

An Uphill Road

Austere Years Bring Some Signs of Relief

By Giles Merritt

THE HAGUE — During the darkest years of recession in Europe, when the economic diagnosticians were identifying first the "British disease," and then the "Belgian disease" and the "Italian disease," the Netherlands seemed a haven of economic good health. The only malady that could be tracked to the Netherlands' door appeared to be Dutch elm disease.

But that was in the 1970s, when the combination of scarce, expensive energy and peak production in the Netherlands' vast offshore reserves of natural gas were giving the Dutch economy a major boost. Nowadays, that scale of gas bonanza is a thing of the past. And although the government led by Ruud Lubbers has pursued some courageous and effective economic policies, the Netherlands is nevertheless finding it an uphill struggle to achieve economic well-being in the 1980s.

When Mr. Lubbers' Christian Democrat-led coalition first gained power in 1982, it promptly introduced an economic austerity program designed to curb the snowballing government deficit and reverse the expansion of the public sector. The tough new strategy for slashing public spending in areas like welfare, health and housing at first provoked howls of protest, but it has this year given the government enough leeway to announce that it is easing austerity and cutting taxes.

One of the main achievements to date of the Lubbers government, and of Finance Minister H. Onno Ruding, has been that it has convinced the Dutch electorate that propping up lame duck industries like steel, shipbuilding and textiles with state subsidies is no substitute for an industrial policy. Instead, Mr. Lubbers has concentrated on measures that boost corporate profitability and stimulate investment spending.

The result has been that for the average public company in the Netherlands, the return on equity has doubled to 12 percent, while manufacturing has soared. It is 40 percent above the level at the start of the 1980s and has thus increased by about four times the average elsewhere in the European Community.

The new emphasis on streamlining the Netherlands' industrial base and making Dutch manufacturing more competitive has paid political dividends for Mr. Lubbers. When he took his center-right coalition to the polls in May of last year, he was re-elected to a second term with a comparatively safe margin by Dutch political standards.

The view from outside the Netherlands of the Lubbers

Continued on page 8

Revamping Medical Care

To Cut Health Costs, Dutch Test Competition

By Ronald van de Krol

AMSTERDAM — Four Dutch hospitals are soon to find themselves pushed into competition with a commercially operated health clinic as part of a government experiment aimed at finding ways to control the skyrocketing cost of the public health system.

Starting in January, the four hospitals in and around the city of Nijmegen will each be required to set up a diagnostic clinic to compete with a private clinic that will be run by Dr. J.B.J. Boerema, an urologist who hopes to create a chain of private health clinics in the country.

The experiment is designed to see which side — the traditional hospitals or the profit-minded private clinics — can carry out blood tests and other diagnostic examinations at the lowest price and with the highest degree of care.

"The goal is also to see if this kind of set-up is even possible in Holland. So far, the present system *makes no room for the profit motive*," said a spokeswoman for the Ministry of Welfare, Health and Cultural Affairs.

Despite the novelty of the Nijmegen experiment, the Netherlands, with its long tradition of state-regulated public health care, is not on the verge of privatizing health care.

But the fact that the experiment is taking place at all reflects the sense of urgency about deciding how to finance the extensive public health system in the years ahead.

The need to make decisions for the future is especially acute because of the "graying" of the population and the continued slump in revenue from the country's natural gas fields that have fueled and sustained its social welfare system since the late 1950s.

"There have been any number of reports in the past which show that if something isn't done, health care as we know it will simply become unaffordable," the ministry spokeswoman said.

> The experiment reflects a new sense of urgency about finding a solution.

For a country that prides itself on providing good, affordable health care for all, regardless of income or age, the *difficulties* ahead are obvious and worrying.

The Dutch population is aging rapidly and living longer than before. This, combined with medical advances in heart disease and cancer treatment, means that the cost of health care — already equivalent to one-tenth of gross national product (GNP) — is bound to rise. The problem is compounded by the fact that the working population, which largely funds the health and social security systems, is expected to shrink in the next century compared with the size of the elderly population.

The most difficult time for the health and social security systems will be the years 2010-2030, when the baby boom generation of the post-World War II era begins to reach retirement age. In 2010, for example, about 3.56 million Dutch people will be over retirement age, twice as many as in 1987, but the overall population is not expected to be significantly higher than today's 14.57 million.

With this in mind, the government appointed a panel headed by Wisse Dekker, former president of the Philips electronics group, to *draw up recommendations for the future structure* and financing of the health system.

The so-called Dekker Commission recommended earlier this year a radical restructuring of the health insurance system.

Its overall recommendations are complex, but they boil down to this: the national health insurance scheme should be transformed into a compulsory, basic package covering 85 percent of possible health risks and costs, such as visits to the doctor, hospitalization and surgery. People would then have the option of taking out private health insurance to protect themselves against the remaining 15 percent of potential health problems and costs, such as dentistry, physical therapy and medicines.

The commission argues that health care costs can be kept down by injecting into the system more competition among health insurers and by making patients more aware of the true costs of care by, for example, giving them the choice of whether or not to take out supplementary private coverage. But it also rejects the idea of giving market forces free rein.

"The proposed strengthening of the market orientation of the system is meant only to create greater flexibility . . The quality of and access to care must be safeguarded under all conditions," it said.

Under the current system, about 70 percent of the population falls under a compulsory state insurance scheme that provides most services free of charge, such as treatment by doctors and specialists, stays in general and psychiatric hospitals, medicines, and some dental work.

To qualify, people must earn less than 49,150 guilders ($24,575) per year. The insurance premiums are roughly equivalent to 10 percent of wages, with both employees and employers contributing to the costs. People who earn more than 49,150 guilders are free to take out policies from private insurance companies.

If the Dekker Commission report is implemented, the division of employees into compulsory and privately insured groups would end, but people who once enjoyed full coverage under the old scheme would now be covered *for only 85 percent of risks if they do not take* out additional private insurance.

The government has yet to take a firm stand on the commission's findings, but it is not expected to endorse them in their entirety. Parliament is to debate the report this fall.

Lower income groups would see the quality of their health care decline if they could not *afford the extra private insurance.* People with higher earnings, by contrast, would have little difficulty in taking out additional insurance.

"People living on state benefits will hardly be prepared to insure themselves against the 15 percent portion that is not included in the basic health package," the head of Utrecht's health service wrote in a recent newspaper article. "If they can't pay, the social welfare office will have to foot the bill provided, that is, it is able to do so. If it can't, then we'll have the same state of affairs as in the U.S., where large groups of people have no access to certain types of care."

RON VAN DE KROL, a journalist based in Amsterdam, helped coordinate this report.

John Copes-van Hasselt

Check or checkmate: Living longer means higher health costs.

Economic Front: Austere Years Bring Some Signs of Relief

Continued from page 7

government's economic management is also moderately upbeat. Economic analysts at the Paris-based Organization for Economic Cooperation and Development (OECD) believe that the past five years have seen some significant accomplishments.

"In many respects," said the OECD's experts recently, "the new strategy adopted by the authorities in 1982 has had a considerable measure of success: Growth of output, investment and employment have all increased, the jobless rate has declined, the central government deficit has been substantially cut back and the inflation rate is one of the lowest in the OECD area. Furthermore, with domestic demand beginning to take over from exports, growth in 1986 was more soundly based."

"However," the OECD's analysis added, "these favorable developments cannot mask the large imbalances that remain. At about 13 percent of the labor force in 1986, the unemployment rate is still one of the highest in Europe. The central government deficit is in excess of 6 percent of national income, resulting in an increase in public debt which has now reached a level equivalent to 70 percent of GNP."

Mr. Ruding's reading of the economic situation has nevertheless been upbeat enough to permit him to relax some of the stringency that has been such a hallmark of the Lubbers government since 1982. In mid-September, at the *Prinjesdag* ceremonies in The Hague that mark the opening of the parliamentary year, Mr. Ruding unveiled a 1988 budget that was mild by the standards of previous years and had as its centerpiece 1.35 billion guilders ($670 million) in tax relief.

For the first time in seven years, the personal income tax rate in the Netherlands is to be reduced. Mr. Ruding has argued consistently that any leeway in the government's finances should be used to trim back the huge budget deficit, but political imperatives and the urging of his cabinet colleagues clearly won the day. The result of the tax cuts is that household disposable incomes in the Netherlands are due to rise appreciably next year — by an average 452 guilders per taxpayer — at the same time companies' labor costs will be reduced.

The new budget is, however, hardly a giveaway package. The spending cuts that have sliced deep into the country's public sector and its sprawling government departments are to continue next year. Civil servants' salaries are to be reduced, the payment of certain investment subsidies is being temporarily frozen, welfare benefits are to be shrunk and the budgets of government departments also are to be cut.

In all, the government spending cuts next year will total 7 billion guilders, so once extra expenditures for 1988 are taken into account, the net saving works out at some 4 billion guilders. That will reduce the central government budget deficit by 0.4 percent so that it will stand at 7.2 percent of the national income (the Netherlands' version of GDP, which allows for depreciation).

In short, Mr. Ruding's decision to relax economic austerity means that the government will marginally overshoot its own target of reducing its 1988 budget deficit to 7 percent of national income. Total spending will be 168 billion guilders and revenues will be 144.4 billion guilders, and the public sector borrowing requirement, at 0.4 percent, will be slightly higher than this year's 0.3 percent.

The government's medium-term strategy, encompassing the budgets between 1987-1990, has four basic targets: to further reduce the budget deficit to 5 percent of national income; to avoid increases in income tax and social insurance contributions; to further cut the number of unemployed from 700,000 today to 500,000 by 1990, and to stabilize both the cost of social benefits and the incomes that can be derived from them.

Yet the outlook for the Netherlands' extremely vulnerable export-minded open economy is not too rosy. Although the Lubbers government has performed creditably in such areas as job creation, where it has made some encouraging inroads into the 1985 unemployment total of 840,000 people, and in the stimulation of a more dynamic climate of enterprise, the forecasters paint a somber picture.

The OECD's forecast points to slower output growth and weaker export performance, with a consequent deterioration of the balance between revenue and public spending. The Central Plan Bureau, a semi-independent agency, sees the Dutch economy expressed as GDP dropping by a half a point to 1 percent next year, which would push it substantially down against the expected European Community average of 2 percent.

Growth has understandably been the chief victim of the Ruding austerity drive. Since 1982, it has averaged only 1.9 percent a year, against an EC average of 2.2 percent, and now even official government forecasts see still greater stagnation during 1988. For Mr. Ruding, the reform and streamlining of the economy represents a long uphill road.

GILES MERRITT is a journalist based in Brussels.

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Stubborn Jobless Rate Defies Easy Cure

By George Gudauskas

THE HAGUE — The taxi driver, easing his cab away from the curb, said he was unsure whether he could get through town because a labor strike had disrupted morning traffic.

Some civil servants were angry, he said, because the government had promised high-level workers a small pay raise but had offered nothing to those below.

"When you have that, you have trouble, no?" he remarked.

Strikes, once almost unheard of, are a new though small part of the overall labor picture in the Netherlands, where the government has adopted an austerity program to fight a budget deficit and shrinking revenues.

Persistently high unemployment is the main labor worry, with as much as 14 percent of the work force, or 681,400 people, idle, most for long periods of time. Although this is less than its 1984 peak, when 822,000 workers, or 17.4 percent of the work force, were idle, the jobless rate still is among the highest in Europe. And it may go back up again, some say, with an expected economic slowdown.

The Organization for Economic Cooperation and Development said recently that the Dutch labor market of about five million "is in a considerable state of flux."

A rapid inflow of young people and women, often seeking part-time work, is occurring at the same time as older workers are leaving the labor force more rapidly, through retirement plans and phaseout programs.

Job needs and wants are often difficult to match in certain markets, the report said, increasing unemployment.

The study also said that a "large and growing share" of the unemployed are poorly educated, lack appropriate skills and come from declining industries or from construction.

Many are staying jobless longer. Most worked previously in low-paying jobs and, if they find work, are likely to be paid low wages.

"In contrast," the report said, "increases in employment are concentrated in higher skill jobs, a trend likely to continue."

Jean-Claude Paye, secretary-general of the OECD, recently told the European Parliament:

"We are living in a time of far-reaching change, the crux of which is probably to be found at the intersection of three areas: international trade, scientific and technical progress and changes in human society.

"If our countries find it so difficult to find effective lasting and socially acceptable solutions to the unemployment problem, which is undoubtedly the most dangerous threat, it is largely because we do not fully understand these changes."

Reducing unemployment is a high priority for the government, although critics claim that it is second to eliminating the budget deficit. They also say that job creation is failing to meet demand.

In his budget message to parliament in September, Finance Minister H. Onno Ruding predicted increased employment next year.

Mr. Ruding said that 25,000 more people would be put to work, boosting the number hired in recent years to 385,000, an average annual increase of 1.5 percent, against a 0.5 percent average in the European Community.

"Nonetheless, the level of registered unemployment in the Netherlands remains high, owing to the sharp increase in the number of people joining the labor market, compared with other countries," he said.

He urged wage restraint and further cuts in public spending as part of an economic growth plan that is designed to help increase jobs and trim the deficit to 7.2 percent of national income.

He said the government had set aside extra money to improve employment in 1988 to bring the total to more than 1 billion guilders ($500 million).

The aim is to reduce unemployment to under 500,000 by 1990, a goal some feel is unattainable because of declining economic activity.

As an OECD report released in August said: "Further progress in reducing the large budget deficit and bringing unemployment down to more acceptable levels may prove more difficult than envisaged by the authorities in the 1987-1990 budgetary program."

Asked if the goal could be met, Frans H.A.M. Kruse, director-general for employment in the Ministry of Social Affairs and Employment said, "I don't think so."

He said that more people can be trained for jobs but that he didn't think labor opportunities would grow enough to compete with the growth of demand. "That's our main problem," he added.

As a result, Mr. Kruse said, the government is directing its main efforts at "stirring," or "recycling," employment.

"We accept the effects of substitution in the market. We give one a chance at the cost of another one. That's our main policy at the moment," he said.

He also questioned whether the Netherlands, with a population of 14.6 million, will ever need a labor force of five million again.

And he disagreed with the government's "free market" priorities. He argued that public works projects, while not effective economically, are socially acceptable and could help erase a problem with high social consequences.

"I think there are more opportunities toward full employment by investing in the national market, especially public activities," he said.

Mr. Kruse predicted that, if the administration of Prime Minister Ruud Lubbers doesn't succeed in his goal of reducing unemployment to under 500,000 in the next two years, his policies will change.

In an analysis of economic trends, officials of the U.S. Embassy said in June that the Dutch government's employment programs have not succeeded in significantly creating new jobs.

"Indeed, the government's key youth employment scheme depends on finding municipal jobs at a time when austerity is reducing civil service ranks," the analysis said.

"It appears that slower growth may cut the rise in employment this year in half," it said. "If so, the labor market would barely be able to absorb new entrants and unemployment could grow next year as economic expansion slows still further."

CRITICS of Dutch policies argue that high marginal tax rates, a minimum wage that is almost double that of the United States, and a liberal income-support system create disincentives.

In its study, the OECD said a decline in the minimum wage might encourage demand for labor, since many of the unskilled jobless likely to be hired would be given jobs at a wage near the minimum rate.

However, the report questioned what the response might be to a reduced minimum "in the face of a generous income-support system," one of the most elaborate in Europe. The study said further reducing joblessness might require more changes in the system than now envisioned.

"But this obviously depends on national preferences and the value attached to noneconomic criteria, such as maintaining social cohesion and equity," the study said.

C.J.A. van Lede, president of VNO, the largest business and industry group, said his members realize that "in no way can you have flourishing business in the long run if you will continue to be faced with unemployment of that magnitude."

"Socially, it's unacceptable," he said, but noting "It's very tough, very, very tough to not only find the measures, but to get agreement on the basic legislation that has to be made in order to get these people to work."

"You can train them," he said, "but you have to have jobs at the same time."

His organization's lobbying effort is geared to reducing the minimum wage, long a sacred cow in the country, to help diminish unemployment.

Another issue is the reduction of the work week, from the current 38 hours to 32 by 1990. The large unions favor this move, but employers claim it would be too costly if wages are not reduced as well. The government has officially supported a shorter week.

Mr. Van Lede said the federation believes "that the real issue in this country is redistribution of work, which does not equal shortening of the work week."

Part-time labor has been the most effective way of doing this, he said.

Mr. Van Lede termed labor's shorter-week goal "totally unrealistic," and said it was not supported by rank-and-file union members.

"You can say it was the resistance of the employers, fair enough. I'm happy to hear that, on the one hand," he said. "On the other hand, if they really wanted that more than pay, or income, whatever, they would have pushed it through."

Henk Leemreize, economic adviser to the 900,000 member trade union federation, FNV, said, "It's still a big issue, but the employers are not really willing to negotiate further reduction in the work week," claiming it would be too costly and too complex.

For public sector workers, who have had repeated wage freezes, the issue is pay.

Unionized civil servants are "furious" over the recent plan to grant a small increase to high-level workers and none to their underlings, Mr. Leemreize said. More strikes are possible among his 250,000 organized workers, who want across-the-board pay increases.

GEORGE GUDAUSKAS is a free-lance journalist based in Paris.

Coming to Terms With the Tough Jobs Issues

Social Costs

"Half of our labor reserves consists of persons who are unemployed for more than one year, and about 30 percent has been unemployed for more than two years. You see an enormous labor reserve that cannot be brought into the labor market again. I think that's our main problem, and it's of course a social problem . . . and it has high risks. . ."

Frans H.A.M. Kruse, government official

Flexibility

"We are of course against forms of flexibility which in practice mean that some workers have all the rights of the world and some workers have no rights at all. At this moment there is a hardcore of workers who have all kinds of protection, and there is a fringe of second-hand and third-hand workers who have no protection at all. . . . and that is a very wrong development."

Henk Leemreize, union adviser

Retraining

"We are converting, very successfully, unemployed university graduates into employed people. We convert 300 or 400 per year. It's damn successful. . . . But, in terms of quantities, I mean a couple of hundred converted university graduates into employable positions is not solving the unemployment problem of the country."

C.J.A. van Lede, industry spokesman

Photograph by John Copes-van Hasselt

Reading the Dutch Character in Stormy Skies

Continued from page 7

that the girls in the windows of the Amsterdam red light district (with its canals and 17th-century houses) are the modern warnings against sex, drugs and AIDS. (The annual nightly procession of pious Catholics, the Silent Walk, leads straight through this beautifully dirty district). But having said this, I still cannot escape from the thought that in a moralistic sense, the Dutch want to show that they accept the reality of life. They have nothing to hide. They are tolerant and responsible.

A Belgian poet told me once: "You Dutch are supposed to be a tolerant nation. I had my doubts. But it is true. You have kept that long tradition of tolerance. But before being tolerated, one has to go through a harsh intolerant phase." He said that when he came to the Netherlands, he always felt he was cross-examined on moral issues like euthanasia, incest, cruise missiles, treatment of drug addicts, etc. The questions had to be answered properly. Only then were he and his opinions respected. The poet thought that this aggressive and rather offensive behavior was due to the ridiculously high density of the population. It was impossible to ignore each other. Social control was strict. Like a big family in an overcrowded house, the Dutch knew that the only way to survive was to live and let live.

In many aspects, the Netherlands is an overorganized country. Even to ride a horse, one needs a license, issued after a severe examination. But in this country of laws and rules, children are amazingly free and undisciplined. Already, in the last century, foreigners complained about the Dutch vandals. Friendly Amsterdam has always been anti-authoritarian and somewhat anarchistic. Adults never lose their childhood tricks.

After 20 years abroad, it was, on my homecoming, difficult to appreciate the reality of the unruliness of Amsterdam, where even in decent circles stealing a bike is not always considered a crime anymore. I was asked to concentrate on the real issues, the crimes that make Amsterdam really unsafe. The crime rate is lower than in most other capital cities. It is discussed in the media with an astonishing openness and frankness, not so much in terms of law and order but as a moral problem. In central Amsterdam, the rich and the poor, junkies and the yuppies, the squatters and the burghers live next to each other. One often gets the impression that the dangerous and violent addict should be seen as the prodigal son.

The Dutch have come to see that their humanitarian approach in solving the drug problem and fighting crime may have been too idealistic. The times have changed. Even Dutch people have protested against the opening of centers for Tamil refugees near small villages. The villagers accepted their normal duty to accept a few dozen refugees but they could not cope with hundreds of Asians the government had intended to send to a nearby empty monastery. Not all is lost.

Ten years ago, the Netherlands loved to see itself as the Conscience of the West. The Dutch were the darlings of the Third World. They favored an oil boycott against South Africa (an idea initiated not by socialists but by members of the ruling Christian Party), and two years ago even the prime minister had soul-searching doubts about the cruise missiles.

The Netherlands is toeing the line again. It is a painful process. We are living in boring times, the editor of the largest quality newspaper remarked, as if our country has fallen back to dull mediocrity where excellence and creativity are suspicious.

The negative press reviews make us fear that we have no more to offer than windmills, clogs and tulips from Amsterdam.

We will prove them wrong.

Two-Market Approach to Trading

Amsterdam Confronts London With Technology and Tradition

By Ronald van de Krol

AMSTERDAM — By this time next year, the Amsterdam Stock Exchange will have reorganized and redesigned its trading floor to accommodate the arrival of video screens and other computer equipment that is intended to keep Amsterdam in step with the technological revolution on world financial markets.

"To put it simply, the jobber's order book is going to be fed into a video screen" is how Johan Kooy, director of data processing at the bourse, recently described the changes ahead.

But unlike London, which in last year's "Big Bang" virtually abolished the trading floor in favor of trading via computer terminals, Amsterdam plans to stop well short of allowing market participants to trade directly through the exchange's new computer hardware and software: the trading floor will continue to exist, at least for the time being.

This two-pronged approach — introducing far-reaching automation while retaining the bourse floor — sums up Amsterdam's response to the challenges of Big Bang and the threat that trading in Dutch shares and bonds will gradually seep even further to the London market.

In an interview, Baron van Ittersum, chairman of the Amsterdam exchange, said that the automation project — which is to be modeled on Chicago's Midwest Stock Exchange and carried out with its help — is aimed at making share and bond trading in Amsterdam as cost-effective as possible so that investors will prefer to do their trading in guilder paper here rather than in London.

The first phase of the multiyear project will concentrate on the automation of routing orders and trading information, to be followed later by clearing and settling systems and price information. The total cost of the stock exchange's transformation is estimated at up to 30 million guilders (about $15 million.)

Automation is only one of Amsterdam's responses to the Big Bang challenge. Last year, it introduced the Amsterdam Interprofessional Market System (AIM) which, similar to developments in London, does away with fixed commissions and allows institutional investors to trade on a net basis with banks and brokers in deals involving at least one million guilders in shares or 2.5 million guilders in bonds. The deals officially take place outside the regular market but are seen as a way of persuading institutional investors to continue to do business in Amsterdam.

In addition, the Amsterdam financial community successfully persuaded the Dutch Finance Ministry to cap the 0.12 percent stamp tax on Dutch share and bond transactions at 1,200 guilders, effectively abolishing the tax on deals worth more than one million guilders and thereby stimulating block trading.

"The creation of AIM has halted and also slightly reduced the seepage of business to London," Baron van Ittersum said. "The stamp tax cap also helped put us on a more equal basis with London." He added that the exchange would still like to see the tax scrapped altogether. Bankers estimate that London now accounts for about 20 percent of turnover in Dutch shares and bonds, down from 30 percent only two years ago.

Baron van Ittersum described Amsterdam's competitive strategy this way: "Keep the guilder market in the Netherlands by doing away with the bourse tax and by other measures, but at the same time set up an infrastructure to attract trading in U.S. and Japanese stocks to Amsterdam when their own markets are closed."

He said the main difference between Amsterdam and London was that London had abandoned a "central" or "auction" system of trading, in which supply and demand of the entire market are brought together at a central point, in favor of a "dealers" system, in which trading is a bilateral transaction between two parties.

"In Amsterdam we do things differently," he said. "We are maintaining the central market, but alongside that we have also created AIM, which is essentially a dealers' system along the lines of London. Our strategy is to allow both markets to function side-by-side and give the parties the choice between one system or the other."

The question of whether the traditional trading floor will always remain a feature of Amsterdam is ultimately up to stock exchange members, Baron van Ittersum said. Opinion in the Dutch investment community varies widely on how necessary the floor is in modern share trading, and whether the Amsterdam floor will continue to exist in the long term.

Jan Vroegop, a director of Amsterdam-Rotterdam Bank (Amro Bank) and head of its guilder treasury department, said that looking at prices on a video screen did not provide a sufficient guide to the market climate. "I believe that seeing each other on the bourse floor, feeling the atmosphere and the levels of activity and inactivity there, and observing your competitors, your colleagues and the jobbers all contribute to your knowledge of the market," he said.

Mr. Vroegop said this was illustrated by the chaotic conditions in London in early August, when base rates rose unexpectedly and the stock market dropped sharply. Many dealers simply abandoned their screens and stopped trading because they no longer had any sense of the market, he said. In Amsterdam, by contrast, face-to-face trading on the bourse floor provides a form of "social control" that ensures that market participants will continue to trade.

But Tom van Dort, managing director of Morgan Bank Nederland NV, said he saw no reason why share trading in the Netherlands could not be done by telephone and by screen as in either London or the NASDAQ over-the-counter market in New York.

"For professional market participants, a trading floor is not at all necessary, though it may be necessary as a way of protecting the small investor," he said. "Even now, when a Dutch pension fund does business directly with people in London, no exchange floor is ever involved."

THE PRIVATE placement market in the Netherlands is another example of a large market that exists without a formal trading floor; worldwide, the best example of a huge market that functions well without a trading floor is the foreign exchange market, he said.

"And if there were ever a market that depends on sentiment and mood, it's foreign exchange. But you can chat just as easily about market sentiment on the telephone as you can on a trading floor," he said.

While discussion continues about the eventual future of the bourse floor in Amsterdam, banks and other financial institutions are looking critically at the Amsterdam system of "single capacity" trading that requires that all orders for shares and bonds (except those in the AIM system) be executed via the Amsterdam *hoekman*, whose function is similar to the former jobber's role in London or the specialist's role in the United States.

Dutch banks are frequently frustrated by this form of trading, saying the hoekman often does not have the financial strength to quote prices on large deals and, therefore, sometimes stands in the way of transactions being done.

In the past few years, various hoekman firms have merged or have strengthened their capital base to meet the challenge of doing business in the 1980s. Baron van Ittersum said he expected this trend towards larger and stronger hoekman firms to continue.

But Mr. van Dort of the Morgan Bank said the Amsterdam market was likely to remain fundamentally imbalanced between the relatively small hoekman firms and the market's major class of players — Dutch pension funds whose portfolios of stocks, bonds and property run into the billions of guilders.

"Under the present system, only the hoekman firms are allowed to be market makers, but often they simply can't because they don't have the capital strength," he said.

Mr. van Dort said that Amsterdam should be glad that several London houses were prepared to make a market in Dutch paper because this injected needed liquidity into the guilder market. He said an "open broker dealer system" would be a better model for Amsterdam, allowing market participants to trade among themselves, either directly or through a broker.

Another frequent complaint about the present system is the lack, in practice, of a strict system of clearing and settling transactions. Amro Bank's Mr. Vroegop said the hoekman firms were always the last in the chain to pay when a deal is struck, meaning that other market participants, such as the banks, end up effectively financing the hoekman.

A "crystal-clear" clearing and settlement was necessary not only to keep Amsterdam abreast with foreign markets but also to meet the requirements of modern cash management used by the banks' customers, he said.

Despite some imperfections in the Amsterdam system, Mr. Vroegop said he was satisfied so far with Amsterdam's ability to compete with other financial centers, including London. Initial expectations that post-Big Bang London would lure a significant amount of trading in Dutch, German and other foreign shares or bonds away from their home markets have proved to be exaggerated.

The 12 months since Big Bang have shown that it is exceedingly difficult and risky for financial houses in one center to trade shares that have traditionally belonged in another.

"Cultural differences exist from one market to another in how shares are traded or valued. You cannot simply take the price/earnings ratio of a Dutch stock, compare it with that of an Italian, German or Japanese share, and decide which one is undervalued. You need home market know-how," he said.

Mr. Vroegop and other Dutch bankers cautioned against expecting too much from the stock exchange's plans to stimulate trading in U.S. and Japanese shares in Amsterdam using the new, simplified depository certificates called Amsterdam Security Account System (ASAS).

The bourse, drawing on its reputation as an international exchange that lists more foreign shares than Dutch ones, hopes to boost such trade with the help of Japanese and U.S. members of the Amsterdam stock exchange. Eventually, the exchange hopes Amsterdam will be used by American investors as a sort of pre-New York or post-Tokyo market when those centers are closed.

But the best way of developing such a market in Amsterdam would be to persuade other European bourses to join in to help create one uniform system for trading U.S. and Japanese stock in the continental European time zone, Mr. Vroegop said.

John Copes-van Hasselt

Traders on the floor of the Amsterdam Stock Exchange.

As Gas Slumps, So Goes Land

By George Gudanskas

THE HAGUE — With the fall in gas revenues in the Netherlands comes another sinking feeling for the Dutch — the land over the huge gas field in Groningen is subsiding.

Like a large balloon losing its air, the gas field in the northeastern part of the country, which has given up half of its known reserves since its discovery in 1959, is losing pressure, ever so slowly, so that over the next half century the earth above it will droop slightly.

The phenomenon, called subsidence, poses a costly problem of adjustments in this low-lying country.

"Our problem is that we're a very flat country and a low country, so that what's happening is we expect a disturbance in the water household [table] on the top. So then you have to adjust things," said Chris Staudt, director of the Netherlands Geological Survey.

For instance, in the port town of Delfzijl, with its modern yacht harbor and windmill in the village center, expensive engineering projects will have to be undertaken to cause "lifting" as the land subsides and water levels rise.

Hundreds of bridges and canals that crisscross an estimated 900 square kilometer (342 square mile) area will have to be altered as the Earth turns into a broad soup bowl whose center is expected to dip from 50 to 75 centimeters (20 to 30 inches).

A 650 million guilder ($325 million) fund has been set up to cover the costs of these projects, officials said, and a commission has been established to examine claims and to study ways to prevent damage.

The authorities say that the population is not expected to be endangered because the change in the landscape will be so gradual it will go almost unnoticed.

"This is perhaps, in terms of public opinion, quite a concern," said Jean Gerin, managing director of Petroland, one of the many companies in the Netherlands searching for and exploiting gas and oil reserves.

"But, in reality," he said, "I can tell you definitely, scientifically as well as technically, this is not a big problem."

Pipes buried in the ground will not suddenly surface like bones in a forgotten cemetery. Nor will vehicles vanish into the ground with a whoosh. And no houses will crack and crumble, the experts say, although there are those who argue to the contrary.

"It's very slow, it's very gradual, and it's a flat movement," said Frank Duut, spokesman for the Netherlands Oil movement, the joint Shell-Exxon venture operating the field, which is the largest in the Netherlands. Unlike a cave-in, he said, "it's a total movement in the Earth's layers so the whole area sinks."

"There are, of course, people who think otherwise, people who always disagree," said Wiel G.J. Huijnen, a government energy specialist. He and others suggested that those disagreeing might be trying to take advantage of money made available to cover damage caused by subsidence.

The changes will be far less dramatic than those that began two years ago in the Ekofisk field in the North Sea off Norway, government officials said. There, huge oil and gas rigs and their crews were endangered when the seabed suddenly began sinking by meters, instead of centimeters, causing great concern and costly countermeasures.

"We have to be very, very careful," Mr. Huijnen said, "that it is not compared to what happened in Norway. It's completely different. It just cannot be compared."

The main difference is that Groningen gas, thousands of meters deep, is contained in sandstone that is capped by a thick layer of of rock salt. Ekofisk's field was covered by soft chalk, according to Mr. Standt, the geological survey director.

"We are lucky it's sandstone, so that the total compression of the sandstone in itself will only be very small," he said, adding that the salt layer also absorbs small movements in the gas field.

"But, of course, there will be some subsidence," he added. "It's a consequence of taking something out."

If the Groningen phenomenon is left unattended, however, a shallow lake 40 kilometers wide will form where the subsidence centers, as rain water collects and ground water levels rise to the Earth's surface.

Significant amounts of new pumping will be needed, authorities said, to handle the water problems in this sparsely populated province of farms and villages already at or below sea level.

In addition, new canals will have to be dug and more sluices, flood gates and dams constructed, they said.

Mr. Duut, the spokesman for the Nederlandse Aardolie Maatschappij (NAM), the Shell-Exxon operation, explained: "Yes, if nothing were done you would completely destroy the water household [table], lakes and canals and so on. And the protection along the coastline wouldn't be on the right level anymore. So when we do have this big wave every hundred years, then the northern part of the country could be flooded — the harbor area, not the dikes."

The task ahead is "to see and prevent that," he said. "And that's no problem. The money is there, the knowledge is there, and the works will be carried out in the next 10 years."

A fund totaling 650 million guilders has been created to cover the costs, such as studies and work projects that will have to be undertaken. Officials said that the fund was calculated according to possible needs and is open-ended.

"More important is that there is an agreement between the NAM and local authorities — with the province of Groningen — when measures must be taken, NAM will pay for them," said Peter A. Scholten, director for general energy policy and mines in the Ministry of Economic Affairs.

In addition to the fund, a six-member independent commission was established in 1984 to work with Shell-Exxon and Groningen officials to review claims for damage and to recommend measures to prevent future damage.

In its report for 1986, the commission — three of whose members are nominated by NAM and three by the province — said that so far it has paid out more than 9.5 million guilders in claims, plus 11.6 million guilders for studies and the like.

The largest payment last year, 3 million guilders, was to deepen sluices in the village of Gaarkeuken in anticipation of settling terrain there.

He dismissed reports by some people who said that cracks in their homes were due to the sinking caused by the withdrawal of gas in the province.

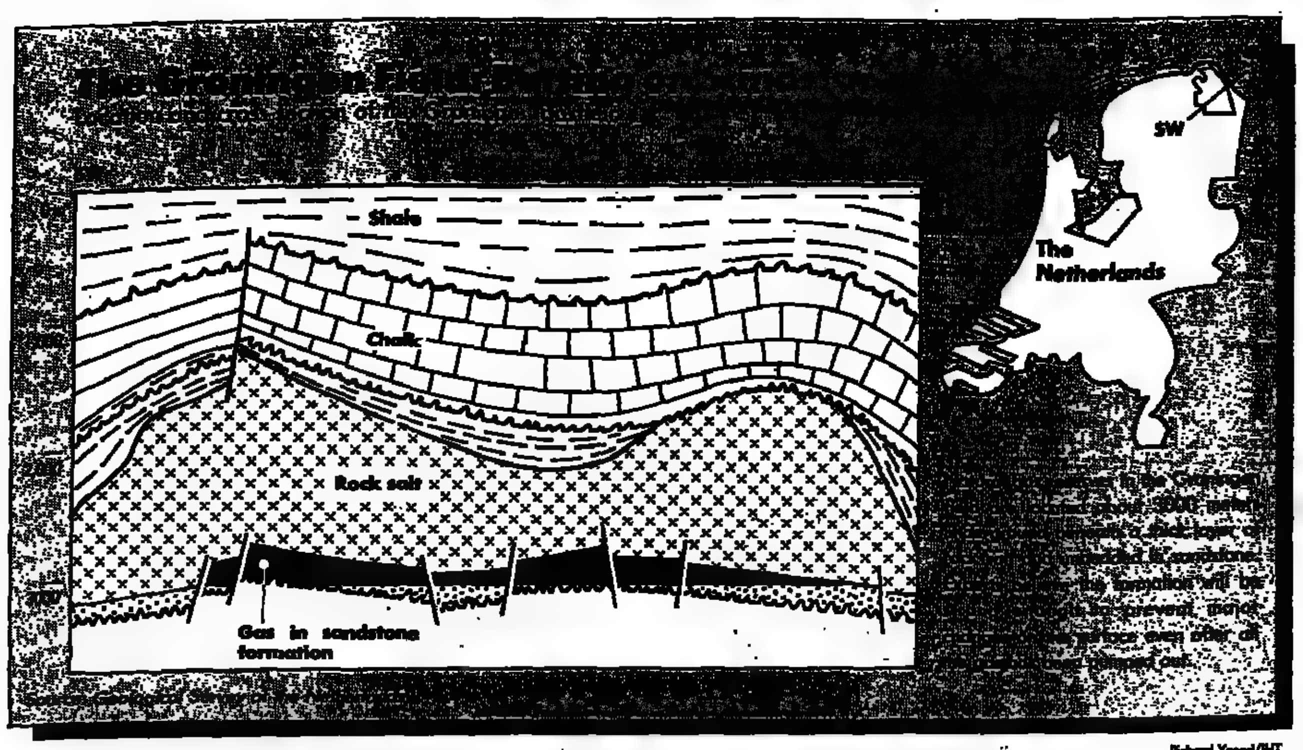
Jan Abrahamse, chief editor of a 35,000 circulation magazine, Wabbenbulletin, an environmental and geographical publication distributed in the Netherlands, West Germany and Denmark, agreed that some of these reports were baseless.

The Groningen-based editor said that he had personally examined certain claims and found them untrue.

The main worry for the province brought on by subsidence involves water, he said, with pumping and other measures needed where none was needed before because runoffs and rivers flowed naturally to the sea.

"That will be a big problem," he said.

Farmers usually are the first to know when the water or the land is changing, said Pieter Bakker, chief of external communications for Netherlands Gasunie, the sole distributor of gas from the Groningen field. And he added, "For years, we haven't heard from them."



Richard Yeend/IHT

Investment Surges on Cheaper Oil, Higher Corporate Profitability

By Sonja Mooradian

AMSTERDAM — Cheap oil, deflation, a stable government, a healthy economy, higher corporate profitability and a quiet labor market have together provided the impetus for a major surge of investment in the Netherlands over the last 18 months.

Last year saw a record increase in investment — up 11.5 percent from 1985. This year, the government projected an increase of only 5 percent, but companies are continuing to take advantage of cheaper steel and oil prices to modernize or build new facilities.

And although profit margins have come under pressure because of the guilder's strength within the European Monetary System, turnover has been higher, resulting in growth. With higher corporate profitability, companies are retaining their earnings and investing them in expansion.

In previous years, inward direct investment had been heavily depressed by repatriation of balances by foreign parent companies, according to De Nederlandsche Bank. But the level of investment was so high that 1986 actually saw net lending from foreign parent companies.

According to the U.S. Commerce Department, direct U.S. investment in developed countries increased by 13 percent in 1986. "Among these countries," it said, "the largest increase — $4.6 billion — was in the Netherlands.

After major investments in the energy sector were put on ice last year because of weak oil prices, there has been a spurt of investment in this sector. Most of the money is now going into major restructuring programs.

> Last year saw a record increase in investment.

For instance, the Dutch subsidiary of Texaco is spending 50 million guilders ($25 million) to revamp and expand its refinery at Pernis. Texaco currently holds second position in the Dutch automobile gas market behind Shell.

The chemicals sector has also drawn huge investments despite the Environment Ministry's tough restrictions on the industry. Investments totaled 3 billion guilders last year and are expected to reach 3.7 billion guilders this year. Royal Dutch/Shell, for example, has stepped up a 500 million guilder investment program that lay dormant for a year.

The chemicals sector has for many years been vital to the Dutch economy and has drawn huge investments (17 percent of total Dutch industry in 1986) in the last two years. But De Nederlandsche Bank has warned that the Environment Ministry's policies may make some new investors in this sector shy away from the Netherlands as a site for new production facilities.

The lion's share of investment in research and development comes from the chemicals sector.

More fundamental perhaps is renewed confidence in the offshore sector; almost $2 million is slated for new drilling and production platforms next year by Pennzoil and Petroland. These are the first investments in the offshore industry since the oil price fell last year. At that time, the Nederlandse Aardolie Maatschappij (50 percent Exxon, 50 percent Royal Dutch/Shell) decided to shelve a 2 billion guilder investment in the 'F3' oil and gas project. This year, NAM invested 1 billion guilders and will increase its investments to 2 billion for 1988.

However, despite lower drilling tariffs and depressed steel prices, the company will not resume the F3 project until it is confident that the current oil price of around $18 a barrel is a stable one.

Confident that the coalition government's policies will continue to result in economic growth and minimal labor conflicts, companies outside of the energy sector have also shown a willingness to invest more.

Earlier this year, Elsevier NV, a publishing house, spent 500 million guilders on nearly half the shares of a smaller publisher, Kluwer NV; the Wolters Samsom Group spent around 500 million guilders on the other half.

Douwe Egberts, tobacco and coffee merchants (94.5 percent Sara Lee Corp.), took a major step in diversifying its business when it purchased Akzo and Royal Dutch/Shell's consumer products division for 1.25 billion guilders. The fast-food chain McDonald's will more than double the number of restaurants it has in the Netherlands, with an investment of 100 million guilders over the next few years.

SONJA MOORADIAN is the Netherlands correspondent for Business International.

هكذا من الأصل

The Hague Burnishes A Lively New Image

By George Gudauskas

THE HAGUE — Royal residence and seat of government are the words most often used to describe this unsung city founded more than 700 years ago on the dunes of the North Sea.

While called charming and historic by some who know it, the less charitable term The Hague dull, gray, bureaucratic, a sleepy community compared to the bustling Gateway-to-Europe capital of Amsterdam.

"That's long over," said Ad J.E. Havermans, the enthusiastic and energetic burgomaster and general promoter of The Hague, one of the four largest Dutch cities. "That has changed, very much changed in the last few years. We have seen a new spirit in the city."

The burgomaster and others say a combination of things have happened to infuse new life and vitality into the community, enhancing its international allure.

These include the fact that Queen Beatrix has chosen to make The Hague her official home and working place. She made the decision in 1982 and has since sparked interest in revising The Hague's gray-suit image. Burgomaster Havermans was appointed by the crown in 1985.

In addition, the city has seen the renovation of a major arts museum, has opened a complex to house the Hague Philharmonic and the Netherlands Dance Theater and has completed much-needed updating of the nearby seaside resort of Scheveningen.

Concentrated in Amsterdam for the past decade, the Holland Festival, one of Europe's oldest cultural festivals, is coordinating with The Hague to have part of its activities, dance, performed in the city. Major modern art exhibitions have also been attracted to The Hague.

"Now, we don't have to go to Amsterdam anymore," is a common refrain among The Hague's more than half a million inhabitants, including young people who find trendy discos appearing on the nightlife scene.

Tourists leaving the beaten path also are discovering this city of wide avenues and old mansions, aided by a well-organized and coordinated promotion effort of city officials and the Netherlands Board of Tourism.

Mr. Havermans, who previously ran a smaller town in the eastern Netherlands, is emphasizing not only the "international character" of The Hague — with its more than 60 embassies, foreign schools, world courts and other such organizations — but its accessibility from other parts of the globe and its services for multinational businesses.

"The Hague is in all respects the right city for companies and organizations to settle in Europe," he said in the opening statement of a booklet about the city.

"Total product" is a phrase used by both Mr. Havermans and by Hans Cornelissen, managing director of the tourism board, when they discuss efforts to promote the historical and cultural attributes of the Netherlands and its major cities of Amsterdam, Rotterdam, The Hague and Utrecht.

Ben Vollebregt/B.V.I.

The Nederlands Dans Theater is now housed in The Hague's new 44-million guilder auditorium.

Mr. Cornelissen, at ease in the jargon of a sales-marketing man, made it clear in an interview that "Amsterdam was really, and still is, our 'A' product in a total assortment of products we can offer."

But, on the question of The Hague's changing image, he credits Mr. Havermans with finding ways to improve it.

"To govern a city is more than just sitting behind your desk," Mr. Cornelissen said. "He has a philosophy and. I think this is a new point, that for a city you have to do city marketing — and not only for tourists, or government, or industry, no, it's a whole community."

The burgomaster, Mr. Cornelissen said, also sought to get service-industry businesses like banks and insurance companies to locate their headquarters in town. But he did not overlook "people needs," like refurbishing the 17th-century "New" Church or getting the national ballet to make The Hague its home.

Regrouping of the city's sprawling government offices was also taken up, the tourist board director said. For instance, the Foreign Ministry's 22 offices were finally housed in one new building next to the main railroad station.

On the topic of competition with Amsterdam, Mr. Cornelissen agreed with Amsterdam Mayor Ed van Thijn that none exists.

The Amsterdam mayor, through his spokesman, Gilbert van Stijgeren, said, "You know, there is no such thing as competition between Amsterdam and The Hague. On the contrary, we enjoy the cultural developments in The Hague, such as the theater and other things."

The Hague offers "something different," he explained. For example, Amsterdam produces "ballet of a certain character," or classical, while The Hague produces very modern dance.

The Dutch opera was in The Hague for 20 years, he noted, after being established in Amsterdam. But "the opera has left" because of space problems, "and has gone back to Amsterdam."

However, the theater opened in September by the queen was built so that it, too, could have operatic performances. So, next year, the opera will give 30 performances in The Hague.

Mr. Cornelissen said, "There is a different image growing and the results are there."

Describing that image, he said, "If I have to sell The Hague, I say it's a pleasant, quiet city with a lot of history, with a lot of culture — in an easy-going way, not hectic — with all the facilities around, with an international atmosphere, but in a quiet way."

Mr. Havermans believes all big cities are basically alike in that they are centers of initiative, ideas and creativity.

"I think many hadn't realized until now that The Hague also had these possibilities, as well as Amsterdam and Rotterdam."

There is another feature in The Hague that is different from Amsterdam, as Frans Kruse, the nation's director-general for employment, has consistently found.

"You can park your car here," he said.

Artists Must Struggle As State Ends Subsidy

By Ronald van de Krol

AMSTERDAM — Dutch artists, once used to drawing a state-backed salary, are locked in an unfamiliar struggle for survival now that the government has halted a policy of paying them a virtually guaranteed income in return for their paintings, murals and sculptures.

The demise of the Visual Artists Assistance Program, called by its Dutch initials BKR, means that for the first time since World War II, thousands of Dutch artists can no longer count on the state as a customer of last resort.

Instead, they are now forced to squeeze a living from the sale of their art on the private art market alone. That may not seem like a startling proposition to artists in other countries, but it marks an abrupt break with the past in the Netherlands.

"The problems have been enormous," said Jan Romers, an official at Kunstenbond, the artists' union. "Artists who had become used to a fairly secure income suddenly found that it no longer existed." Most have ended up living on state welfare and now find it difficult to pay the rent on their studios or to buy art supplies.

The center-right government, which prides itself on its "no-nonsense" reputation, had long been critical of the BKR scheme, saying it was unwieldy and had failed to produce "quality art."

Although quality may have been in short supply, there was no lack of quantity. The policy of buying art to provide artists with a living has produced "painting heaps" and "sculpture mountains" to rival the wine and milk "lakes" of the European Community.

Together, national and local governments purchased around 300,000 works of art during the BKR's 38 years of existence. Some are now displayed in schools, public buildings and Dutch embassies overseas, but the vast majority are gathering dust in government warehouses.

The abolition of the BKR program is expected to cause a number of changes in the lower to middle end of the Dutch art scene. Oil paints are tipped to start giving way to cheaper acrylics, the size of art works is expected to become smaller, and artists will inevitably have to economize on the frames they use.

"Already, we are seeing more watercolors than we did before," according to Johan Pijnappel of Kunstuitleen, an Amsterdam "library" that has lent art to the public for a small fee for the past 30 years.

The number of artists wanting to join the art library project has grown since the BKR was abolished. At the same time, artists are also redoubling their efforts to exhibit and sell their works at private galleries.

Of course, these changes are not noticeable among the small minority of Dutch artists who make a decent living from their work and who never took part in the BKR program in the first place. But for the 2,000 former BKR recipients, the adjustment has been painful.

Theo, a 32-year-old painter from a town near Amsterdam, said he is determined to continue painting full-time despite the fact that his monthly welfare check is less than half of what he received in BKR subsidies.

"The biggest hassle is the cat-and-mouse game you have to play with the welfare office," he said, requesting that his last name not be used. "You have to prove you're looking for work if you don't want your welfare check to be docked. But of course they know as well as I do that there just aren't any paid jobs for artists out there."

> They are now forced to squeeze a living from private sales.

The BKR scheme was originally meant as a temporary measure after World War II to prevent artists from having to accept work unrelated to their art. At the beginning, it supported only 100 artists, but their numbers swelled in the 1960s and 1970s as the Dutch welfare state grew, peaking at 3,600 in 1983.

Far from being a temporary measure, many artists received BKR subsidies for 10 years or more.

Arthur Frankhuizen, an official of the Ministry of Welfare, Health and Cultural Affairs who administered the BKR program until January, said the average artist in the scheme received 38,000 guilders ($19,000) per year, which also included a stipend toward the cost of materials. In its last year, the BKR program cost the government 70 million guilders.

The subsidy system was based on an estimate of how much an artist needed to earn per week to support himself.

"Toward the end, this was fixed at just under 500 guilders for a married artist below the age of 34. So, if the city council bought a painting from him for 10,000 guilders, he had to wait 20 weeks before submitting a second work," Mr. Frankhuizen said. In practice, most artists sold three or four works to the government per year.

The government argues that its abolition of the subsidies should not be seen as a spending cut because the funds that were once earmarked for the BKR are now used for scholarships for promising artists and for increased spending on the arts at the regional level.

"The BKR program emphasized the artist and the artist's social position," Mr. Frankhuizen said. "The new policy takes art and the quality of art as its departure point, and everything else is derived from that . . . Artists no longer have a right to a living."

EUROBONDS

Stampede to Safe Houses Gratifies Some Goliaths

By CARL GEWIRTZ
International Herald Tribune

PARIS — The international capital market is being fragmented by the stock market crisis, bankers report. As investors rush for protection to bonds — and then only the highest-quality government, state-guaranteed and supranational issues — they also appear to be directing their business to intermediaries that offer the same security: banks and securities firms certain to be in business after the dust settles.

"There's a lot of bad news still to come out, houses that have been hit by speculating that could take some time to surface," says one banker. With the rumor mill running at full speed, he adds, an increasing amount of the business being transacted is passing to the biggest financial institutions.

Major firms feel that less competition would allow for more reasonable pricing.

If unchecked, bankers agree, the number of institutions active in the Eurobond market could shrink.

Such a retrenchment would reduce the amount of capital committed in the market and therefore its liquidity. But bankers at some of the major institutions insist that this would not be a major setback. They complain that too many firms claiming to be market makers do little more than trade with other dealers, adding no real liquidity to the market and jumping on bandwagons when prices appear to be headed up or down.

The view at the major firms is that less competition would allow for more reasonable pricing and ultimately better profits for those remaining in the business — a result of both bigger spreads between bid-asked prices and increased volume.

Regardless of whether there is a shakeout among the professionals, investors' focus on quality and liquidity is already fragmenting the market. The major market makers that previously quoted prices in hundreds of issues report they are cutting their lists to fit with investor demand.

Bankers say they are unwilling to be market makers in small issues, which are largely defined as anything below $200 million, because there is not enough paper in circulation to assure availability. And among the large issues, only those of unquestionable quality are being taken into inventory.

In the future, these bankers say, borrowers will have to tap the market less often but for bigger amounts.

ALMOST ALL SECTORS of the Eurobond market rallied last week, the result of massive injections of liquidity into money markets by central banks in an effort to calm the equity markets and to halt the dollar's slide.

This is a maneuver that can work only if it is aimed at gaining time: giving President Ronald Reagan and Congress the time to agree on a credible reduction in the U.S. budget deficit. But that compromise needs to be in place before the pump-priming begins to show up in an explosive growth in the domestic money supply figures.

If the budget deficit is cut, such monetary ease in the United States would help offset the depth of the economic slowdown that will result from both the deficit reduction and the decline in consumer spending resulting from the collapse in stock prices.

At the same time, if Washington restored international confidence in the dollar and in U.S. assets, there could be a capital inflow from West Germany and Japan that would help reduce growth in the money supply in those countries.

By contrast, if Washington drags its feet on the budget, the money-supply growth figures could become worrisome — a precursor of renewed inflation — and cause a tightening of monetary policy in West Germany and Japan.

Activity in the Eurobond market last week indicated that investors assign a high probability to the latter scenario. There was a huge rush to buy floating-rate notes, which are the safest haven when interest rates rise.

Euroclear, the larger of the two clearing houses for trading Eurobonds, reported that $19.96 billion of dollar-denominated FRNs were traded last week, the largest volume since last year.

Bankers said that this demand was overwhelmingly for sovereign paper, especially the FRNs issued by Britain, Belgium, France and Italy.

There were some efforts last week to tap into this demand. The State Bank of New South Wales, which carries the guarantee of the state of South Wales in Australia, sounded the market on whether it would accept $250 million of 10-year extendable notes bearing a coupon of ⅛ point over the London interbank offered rate and fees of ¼ percent.

In the end, the issue never surfaced. Bankers explained that their quality-conscious clients were not receptive to Australian risk because of the country's exposure to a downturn in the U.S. and Japanese economies. In addition, some bankers said their

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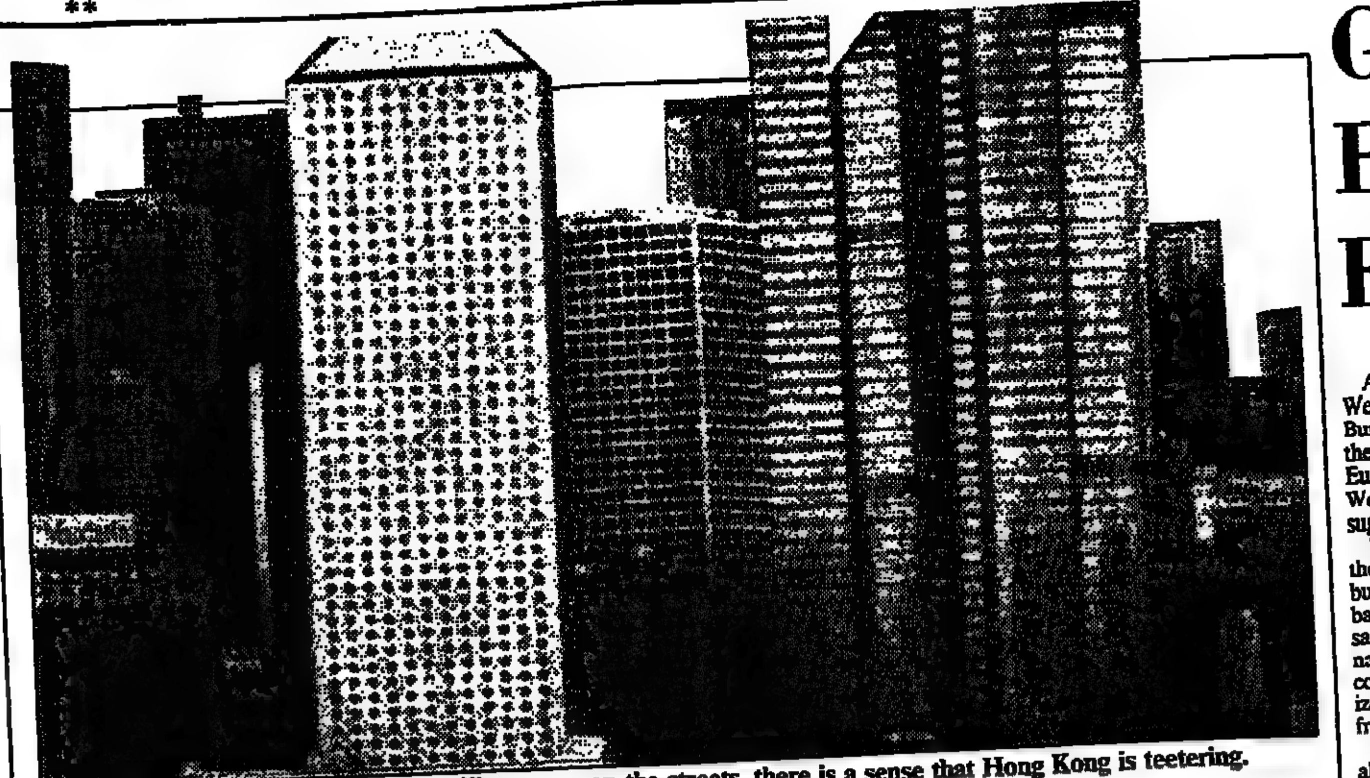

In the stock exchange, in offices, even on the streets, there is a sense that Hong Kong is teetering.

After the Fall, Fear: Vertigo in Hong Kong

By Nicholas D. Kristof
New York Times Service

HONG KONG — Stock markets fell everywhere last month, but it was in Hong Kong that the crash was loudest, most palpable, and perhaps most telling. In one day, stock prices fell 33.33 percent, one of the worst one-day plunges on any stock market in history.

Until mid-October, Hong Kong had been a virtual money machine, with among the world's best-performing stock markets and property markets and an economic growth rate that was four times that of the United States or Japan.

But the cement that binds Hong Kong is confidence, confidence about business prospects and confidence that China will leave it alone. That now seems in danger of becoming unglued.

In a private box above the Happy Valley racecourse, where Hong Kong's tycoons gossip and gamble on horses, one financier recalled the other day that he had lost almost everything in the 1973-74 Hong Kong market crash, when share prices plunged by 92 percent.

"It's happening again," he said, "the big slump we've all been waiting for." Several others agreed.

Ronald Li

AP

These financiers may be no more correct in their economic predictions than they were in picking horses. The underlying economic opportunities for Hong Kong have rarely looked so good. Many other forecasters believe that the territory will lose its vertigo and test new heights on the financial markets while its economic growth accelerates.

But the suddenness of the crisis that hit Hong Kong last week underlines a constant threat to

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Bank of China Reports No Loss

Agence France-Presse

BEIJING — The Bank of China says it suffered no "direct economic losses" as global stock exchanges crashed, but that it is watching the situation closely, particularly in Hong Kong.

The Bank of China was quoted Saturday by the news agency Xinhua as saying that it "mainly buys and sells stocks for clients, which involves no risk." It added that "the stock mortgage loans it offers are also within safe lines."

The bank, China's foreign exchange offshoot, contributed $42.7 million last week to a $512 million fund to salvage Hong Kong's stock futures market.

Analysts in Beijing said that China held about 10 percent, roughly $8 billion, of the Hong Kong market's total capitalization before the crisis.

German Suggests Bundesbank for EC Central Bank

Reuters

ANTWERP, Belgium — The West German central bank, the Bundesbank, could be adapted to the role of a central bank for the European Community, a senior West German central banker has suggested.

Wilhelm Nölling, president of the Federal Reserve Bank in Hamburg and a member of the Bundesbank's policy-making committee, said the bank, which already dominates European monetary policies, could eventually be "Europeanized" by including representatives from EC member states.

"But I don't have any illusions about the readiness of politicians to accept this," he told reporters on Saturday at a conference here on the European currency unit.

He made clear that he was not speaking for the Bundesbank.

"I am against toying about with new bureaucracies," Mr. Nölling said. "I am not in favor of establishing a new superpower alongside the present setup of central banks."

President François Mitterrand of France called earlier this month for the creation of a European central bank to help supervise economic integration in the EC.

At present EC member states coordinate their economic policies within the framework of the European Monetary System, an exchange rate mechanism that imposes strict limits on the fluctuations of eight EC currencies.

In a rare departure from traditional Bundesbank policy, Mr. Nölling also said he doubted whether Britain should be allowed to join the EMS exchange rate system.

He said that the Bundesbank president, Karl Otto Pöhl, had been saying for years that the British ought to be part of the system.

"He has never actually said why," Mr. Nölling said. "I think you might find there would be instability in the system in Europe were the pound to join."

Prime Minister Margaret Thatcher of Britain has so far strongly resisted calls from her EC partners to take Britain into full EMS membership.

Piedmont, USAir Merger Is Approved

Washington Post Service

WASHINGTON — The Department of Transportation has approved the $1.59 billion merger of USAir Group Inc. and Piedmont Aviation Inc., rejecting the advice of an administrative law judge who had called the deal anti-competitive.

The new airline will be the seventh-largest in the United States. The judge, Ronnie A. Yoder, had said the merger would mean "a substantial reduction of competition" on the East Coast.

The two airlines had argued that they needed to merge to remain competitive against such big carriers as Texas Air Corp., American Airlines, United Airlines and Northwest Airlines.

Edward R. Beauvais, chairman of America West Airlines, based in Phoenix, Arizona, said Friday that the company would seek a reversal of the decision from the U.S. Court of Appeals and a stay of the decision in the meantime.

America West argued that the merger would result in increased concentration in ownership of landing rights at Washington National Airport and La Guardia airport in New York and amount to a barrier to airlines seeking to serve those markets.

Piedmont will continue to operate as a separate airline for at least nine months before merging into USAir, which has headquarters at Washington National.

Earlier this year, USAir acquired Pacific Southwest Airlines, giving it a strong West Coast presence and transforming the former regional carrier into a national carrier.

As a Nervous Market Reopens, Fears of a 'Sucker Rally' Abound

Compiled by Our Staff From Dispatches

NEW YORK — As the stock market enters its fourth week of jitters, some analysts believe that another correction or even a replay of the panic-stricken days surrounding the Oct. 19 crash may be just around the corner.

Even as investors were buying stocks at an exhaustive pace Friday and behaving as if the worst financial crisis in six decades were over, some traders suddenly turned cautious.

Many institutions wandered back to the sidelines, and market analysts who had been exuberant just the day before fell silent or revised their predictions.

On Oct. 19, the Dow Jones industrial average of 30 blue-chip stocks lost an unprecedented 508 points, or 22.6 percent of its value. After zigzagging for a week, the Dow then rose nearly 200 points, or about 11 percent, in the last four trading sessions to close Friday at 1,993.53.

That posed a troublesome question: Was the outlook really improving, or was the market simply enjoying a temporary bounce from depressed levels?

"Too many people are getting too excited too quickly," said Eugene D. Peroni, a technical analyst for the Philadelphia investment firm Janney Montgomery Scott. "We were buying aggressively on Wednesday, but we're back on the sidelines now."

Jerry Helzner, a market strategist for Butcher & Singer, a Philadelphia investment firm, said that gains would be "much harder to come by" this week. "I'm afraid people are going to find that this market is still treacherous, and they were far too exuberant Friday."

The pundits are spooked by two things: overly aggressive buying for a market that has just stumbled through a terrifying month, and investors' fixation on budget negotiations between the White House and Congress.

Some analysts fear that the financial markets could come crashing down again if Washington compromises on a deficit reduction package that proves unacceptable to investors.

"This market is still very sensitive," said Robert H. Stovall, president of Stovall-Twenty First Advisers in New York. "And if there is more turmoil and finger-pointing in Washington instead of strong action, I hate to think what might happen."

Mr. Helzner found Friday's aggressive buying patterns equally disturbing.

"The steady driving rally on Thursday really looked good," he said. "But as soon as the market opened on Friday, there were signs of sloppiness. There were way too many people who really thought Thursday was proof that we had seen the worst."

In the first hour of Friday's session on the New York Stock Exchange, traders were inundated with buy orders as individual investors followed the lead of institutions. Burdened with so many small orders, the NYSE tape could not keep up with the trades.

"The tape was back to being late," Mr. Helzner said. "Some stocks were up an incredible $3 to $5 a share right off, and almost immediately the shrewd institutional investors pulled out. They don't like to chase rallies."

John Connolly of Dean Witter Reynolds commented, "Can you really feel comfortable buying stocks when you know that last time the Dow was at the 2,200 level it fell 508 points? I don't think so."

High Johnson of First Albany Corp. said, "There's that fear that you're going to be blindsided again, that an unexpected shock will occur."

Yet Joseph Barthel, an analyst for Butcher & Singer Inc. in Manhasset, New York, voiced concern

See REBOUND, Page 15

Not Quite at Wit's End

But Wall Streeters Find the Humor Wears Thin When the Joke's on Them

By Glenn Kramon
New York Times Service

NEW YORK — On Wall Street, the rumor was that Merrill Lynch had adjusted its investment portfolio — to 50 percent cash and 50 percent canned goods.

On bumpers around the country, the latest sticker proclaims, "My Other Porsche Is For Sale."

In Miami, production is said to have begun on a new movie, "Rambo Gets a Margin Call."

And what do you say to an investment banker? "Fill 'er up."

Such is the grim humor that has emerged on the trading floors and in the conference rooms of investment firms in the past two weeks.

Of course, for the many investors who have lost hundreds, thousands or even millions of dollars, the stock market plunge is hardly a laughing matter. But the nature of black humor is that it surfaces in the most trying times. You either laugh or cry.

Wall Street seems to generate more than its share of this kind of humor. It had a field day with the foibles of the former presidential candidate Gary Hart and the tragedy of the space shuttle. "You got 27 one-liners in 10 minutes," one investment professional said.

The difference this time, though, is that the market's collapse has hit closer to home.

AP

More wry humor on Wall Street: The bulls were back briefly on Friday — for Halloween.

Many traders and analysts said the jokes have been far scarcer.

"When bad things happen to other people, you have a lot

See WIT, Page 15

Have Consumers Lost Heart? U.S. Car Sales Will Offer Clue

By Richard W. Stevenson
New York Times Service

NEW YORK — On Wednesday, when automakers report their sales for the last 10 days of October, economists seeking to divine the course of the U.S. economy will pore over the figures as never before.

As the first solid piece of statistical evidence of consumer behavior since the stock market crisis began in earnest, the numbers, depending on their strength or weakness, are sure to be seen as harbingers of continued moderate economic expansion or impending malaise.

Indeed, with the turmoil in the markets abating only slowly, growth forecasts being slashed and the possibility of a recession looming, every indicator of consumer and business attitudes and behavior over the next several months, whether statistical or anecdotal, will be placed under a microscope.

There are likely to be some conflicting signals about the economy's direction, and they will be interpreted from varying perspectives.

Does the market plunge reflect underlying weakness in the economy? Or is the danger largely in the psychological effect the collapse has on consumers and businesses? It will almost certainly be 1988 before the experts get a firm grasp on what Wall Street's crazy days mean for the economy.

The last five years of economic growth have been based largely on the strength of consumer spending. With 60 to 65 percent of growth in the gross national product recently derived from the consumer, economists are watching most closely for signs that people are putting away their wallets, credit cards and checkbooks.

"What I'm really looking for is evidence that consumers are pulling in their horns," said Murray L. Weidenbaum, a former chairman of the Council of Economic Advisers who is now director of the Center for the Study of American Business at Washington University in St. Louis.

Some economists think it takes at

See CONSUMERS, Page 15

Currency Rates

Cross Rates — Oct. 30

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	1.956	3.354	1.1259	0.3313	0.1526 *	—	5.38 *	1.3689	1.4083 *
Brussels(a)	36.40	62.2875	20.938	6.1665	2.8441 *	18.593	—	25.30	0.2618
Frankfurt	1.7393	2.979	—	0.2942	0.1353 *	0.8881	4.779 *	1.2081	1.2495 *
London (b)	1.7215	—	2.9775	10.1045	2,193.00	3.3445	62.22	2.4615	228.00
Milan	1,277.70	2,198.35	737.50	216.51	—	654.55	35.261	882.55	9.185
New York(c)	—	1.722 b	1.729	5.8625	1,274.50	1.947	36.28	1.42	138.40
Paris	5.90	10.144	3.3995	—	0.46 *	3.024	0.1625	4.112	4.25 *
Tokyo	139.25	238.67	80.07	23.78	0.1101	71.23	3.8306	96.94	—
Zurich	1.427	2.4579	0.8251	0.243	0.1118 *	0.7338	3.9414 *	—	1.0313 *
1 ECU	1.1861	0.6926	2.0615	7.0128	1,517.03	2.3206	43.1564	1.7868	164.774
1 SDR	1.3211	0.771	2.2978	7.7944	1,677.76	2.5841	48.0877	1.9017	183.183

*Closings in London, Tokyo and Zurich, fixings in other centers. New York closing rates. a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	4.00	Fin. markka	4.25	Mex. peso	1656.00	S. Afr. rand	2.004
Austral. $	1.489	Greek drac.	134.70	N. Zealand $	1.691	Soviet ruble*	0.6233
Austr. schil.	12.26	Hong Kong $	7.8042	Nig. naira*	4.2108	Span. peseta	116.40
Belg. fin. fr.	36.44	Indian rupee	12.95	Norw. krone	6.5815	Swed. krona	6.227
Brazil cruz.	55.06	Indo. rupiah	1642.00	Phil. peso	20.729	Taiwan $	29.98
Canadian $	1.319	Irish £	0.6506	Port. escudo	138.50	Thai baht*	25.595
Chinese yuan*	3.7221	Israeli shek.	1.587	Saudi riyal*	3.7501	Turkish lira	951.50
Danish krone	6.6974	Kuwaiti dinar*	0.2772	Sing. $	2.071	UAE dirham*	3.673
Egypt. pound	2.21	Malay. ring.*	2.5145	S. Kor. won	798.50	Venez. boliv.	32.25

*New York rates unless marked * (local rate.)*

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.71	1.7085	1.7064	Canadian dollar	1.3198	1.321	1.3212
Japanese yen	138.41	138.01	137.63	Swiss franc	1.43	1.4256	1.4213
Deutsche mark	1.7310	1.7254	1.7203				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

			Ch'ge
United States			
DJ Indus.	1,993.53	1,950.76	+ 2.19 %
DJ Util.	182.55	183.56	— 0.55 %
DJ Trans.	757.24	749.60	+ 1.02 %
S & P 100	248.22	243.77	+ 1.83 %
S & P 500	251.79	250.70	+ 0.44 %
S & P Ind	288.59	285.28	+ 1.13 %
NYSE Co	140.80	139.22	+ 1.14 %
Britain			
FTSE 100	1,749.80	1,795.20	— 2.53 %
FT 30	1,360.90	1,396.80	— 2.57 %
Japan			
Nikkei 225	22,765.04	23,201.22	— 1.88 %
West Germany			
Commerzbk	1,526.00	1,666.70	— 8.44 %
Hong Kong			
Hang Seng	2,240.13	3,362.39	— 33.4 %
World			
MSCIP	385.70	410.30	— 6.00 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

	Oct. 30	Oct. 23
United States		
Discount rate	6	6
Federal funds rate	6⅞	7⅛
Prime rate	9	9
Japan		
Discount	2½	2½
Call money	3 7/16	3⅜
3-month interbank	3 15/16	3 15/16
West Germany		
Lombard	5	5
Call money	3.00	3.75
3-month interbank	4.00	4.80
Britain		
Bank base rate	9½-10	9½-10
Call money	9⅝	10
3-month interbank	9⅞	9¼

Gold	Oct. 30	Oct. 23	Ch'ge
London p.m. fix.$	468.80	470.50	— 0.36 %

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London. Tel.: 01-623-1277.
Prices may vary according to market conditions and other factors.

October 30

Dollar Straights

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Australasia					
Aust Com Bk	12¾	89	106⅛	8.87	+116
Aust Com Bk	10	93	100⅝	9.91	+118
Australia	11	95	104¼	10.14	+119
Australia	11½	95	106⅛	10.24	+126
Australia	11¼	00	104¼	10.60	+161

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Ind Bk Jap	7⅞	97	84½	10.60	+151
Jap Airl	8⅛	96	87¼	10.34	+127
Jap Dev Bk	8	94	91	9.92	+106
L T C B	10¾	90	102½	9.55	+162
L T C B	11	90	102⅞	9.52	+167
L T C B	8	91	94½	9.79	+142
L T C B	7¾	93	89½	10.29	+165
L T C B	8	93	90½	10.32	+170
L T C B	8	96	85¼	10.64	+159
L T C B	8	97	85⅛	10.60	+152
Metro Tokyo	8¼	96	88⅝	10.24	+118
Mitsub Finance	11⅛	90	103⅞	9.59	+163

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
World Bk	11½	90	106¼	8.80	+90
World Bk Jan	7	92	92½	9.20	+78
World Bk	11	92	106	9.20	+78
World Bk	10⅝	93	105¼	9.56	+96
World Bk	12	93	109⅞	9.49	+99
World Bk	12¼	94	111⅜	9.92	+101
World Bk	12⅝	94	114¼	9.89	+97
World Bk	10⅛	95	101¾	9.84	+88
World Bk	7¾	97	86⅝	10.00	+91
World Bk	9	97	94	9.98	+86
World Bk	8½	16	87⅞	10.51	+119
World Bk	9¼	16	89⅝	10.51	+119

Issuer	Cpn	Mat	Price	Yld Mat	Spd Trsy
Philip Mrls	9⅝	98	97	10.35	+121
Pillsbury	10¼	93	101¼	9.98	+202
Proct & Gamble	9⅝	92	100½	9.73	+182
Proct & Gam	10	95	101⅝	9.72	+138
Proct & Gam	9½	98	97⅝	9.98	+77
Proct & Gam	9⅝	01	97⅝	9.98	+74
Prudential	7⅝	91	95½	9.34	+98
Prudential	11⅝	92	104⅝	10.43	+243
Prudential	8	93	92⅝	9.74	+101
Prudential	8⅝	94	94⅝	9.87	+98
Prudential	12⅝	95	107⅞	10.49	+182
Reynolds RJ	10	91	101¼	9.61	+121

Dollar Zero Coupons

DM Zero Coupons

DM Straights

Yen Straights

ECU Straights

Issuer	Cpn	Mat	Price	Yld Mat	Cur Yld
B F C E					
B F C E					
B N P					
B N P					
B N P					
Bca Di Roma					
C C C E					
C C F					
C N A					
C N T Tra A					
C N T Tra B					
Cololo-Palmol					
Cr Foncler					
Cr Lyonnals					
Credit Natl					

Listing above does not include floating rate notes or convertibles.
Coupon, price and yield are expressed in percent.
For dollar-denominated issues, Spd/Trsy is differential between yield to maturity of bond and yield on U.S. Treasury's issues with the same maturity, expressed in basis points.
Prices and yields are all on a bid basis.
Pp: private placement.
W/w: with warrants.
X/w: ex warrants.

Wall Street Review

NYSE Most Actives

AMEX Most Actives

NYSE Sales

	Sales Vol.
Total for week	1,409,950,000
Week ago	2,299,520,000
Year ago	784,970,000
Two years ago	579,730,000
Jan 1 to date	40,383,589,000
1986 to date	29,479,510,000
1985 to date	22,451,800,000

AMEX Sales

	Sales Vol.
Total for week	103,240,000
Week ago	158,680,000
Year ago	53,090,000
Jan 1 to date	2,885,300,000
1986 to date	1,922,240,000

NYSE Diaries

	This Wk	Last Wk
Advanced	893	
Declined	1129	
Unchanged	168	
Total Issues	2190	
New Highs	7	
New Lows	784	

AMEX Diaries

	This Wk	Last Wk
Advanced	308	
Declined	625	
Unchanged	107	
Total Issues	1040	
New Highs	3	
New Lows	487	

American Exchange Options

Figures as of close of trading Friday.

October 29

EUROBONDS: Is B

Japan To U For U

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FLOATING RATE NOTES						
Guaranteed Investments	$140	2038	3/16	100		Over Libor. Redeemable at par in 1997. Secured by perpetual FRNs and by 50-year zero-coupon bonds of the World Bank.
National Home Loans Third Funding	£ 100	2014	¼	100	—	Over 3-month Libor until 1994, ½ over thereafter. Average life 7 years. Fees 0.60%. Additional £10 million privately placed.
Bank of New Zealand	NZ$ 210	1990	½	100.10	—	Below 90-day Bank bill sell rate for 1st 3 months, and ½ below the 4-month bill sell rate thereafter. Redeemable at par in 1988. Fees 0.10%. Denominations NZ$5 million.
Bank of New Zealand	NZ$ 210	1990	½	100.10	—	Below 90-day Bank bill sell rate. Redeemable at par in 1988. Fees 0.10%. Denominations NZ$5 million.
DFC Overseas Investments	NZ$ 225	1992	½	100.10	—	Below 90-day Bank bill rate. Redeemable at par in 1988. Fees 0.10%. Denominations NZ$10 million.
Chugoku Electric Power	¥ 20,000	1992	⅛	100	—	Over 6-month Libor. Noncallable. Fees 0.25%. Denominations 10 million yen.
Italy	¥ 150,000	1992	0.55	100.10	—	Below the Japanese long-term prime rate, or 0.35% over the most recent Bank debenture, whichever is higher, payable semiannually. Callable at par in 1989. Fees 0.20%. Denominations 10 million yen.
FIXED-COUPON						
News Int'l	DM 100	1992	6⅝	99½	98.00	Noncallable. Fees 2%.
World Bank	DM 250	1993	6¼	100¼	—	Noncallable private placement.
McDonald's	£ 50	1992	9¾	101½	99.65	Noncallable. Fees 1⅞%.
ENEL	ECU 200	1992	8	99	97.25	Noncallable. Fees 1⅞%.
European Investment Bank	ECU 100	1997	8⅜	101½	99.38	Purchase fund to start in 1st year. Fees 2%.
Italy	¥ 150,000	1992	5¾	101⅛	99.63	Noncallable. Fees 1⅝%.

Kaufman Sees 'Symbolic' Need to Reduce U.S. Budget Deficit

As chief economist for Salomon Brothers Inc., the largest U.S. investment banking firm, Henry Kaufman has earned the distinction of being one of Wall Street's most influential forecasters. His views on interest rate trends in the United States routinely attract international attention. And his weekly Comments on Credit remains one of the most widely read pieces of research produced by Wall Street. He spoke with John Meehan, editor of the IHT's Personal Investing section, about the turmoil in the stock market and the economic implications.

Q. After the Oct. 19 stock market plunge, the Federal Reserve adopted a more accommodative monetary policy. How long do you think this will last?
A. I believe that the Fed will maintain an easier stance in the near term. They have already taken the federal funds rate down from 7⅜ to roughly 6⅜. This is one percentage point down. I believe they will probably try to stabilize here until they have a better reading on the impact from the stock market decline on the economy.

•

Q. When will we have a clearer idea of how badly the economy has been damaged?
A. We get the first reading this week with the 10-day auto sales figures. Next week, we will get another reading from retail sales. I would suspect that both will show some slackening as a result of the sharp decline on the stock market. This will mean some slowing that may, and I say may, indicate one quarter of negative real growth, and that's provided the prices of stocks stabilize. The slowdown would likely occur in the first quarter of next year after inventories are drawn down.

•

Q. What do you believe the Federal Reserve will do if there are strong indications of a slowdown?
A. If that is the case, I believe there is a

MONDAY Q&A

chance that the Fed will resume an easier policy, bringing fed funds down to 6 percent. It may even include a reduction in the discount rate by a quarter- to a half-percentage point in the final quarter.

•

Q. What are the implications for the dollar on foreign exchange markets?
A. So far, the implication has been to put pressure on the dollar. The risk is for a further slide until it stabilizes, which I see at about a range of 1.60 to 1.70 against the Deutsche mark and a range of 130 to 135 for the yen. The need is to bring this about in a moderate fashion. We can't afford a free-fall. A free-fall would suggest to everyone that our monetary policy is not flexible. This would arouse expectations in a negative sense in the bond market that could bring about a sell-off, which in turn would have an adverse impact on the equity market.

•

Q. At this point, U.S. policy makers do not appear to have many immediate options open to them. How can they engineer a gradual descent in the dollar?
A. What we need now is an extraordinary amount of international monetary cooperation, particularly with West Germany and Japan. There must be a willingness to reduce interest rates. In a sense, we're beginning to see some of this in Germany, where they lowered the rate on repurchase agreements, and both German and Japanese central banks have been substantial buyers of dollars. The pattern of Japanese and German interest rates in the weeks ahead will be critical.

•

Q. Given the clear concern about the dollar among foreign investors, do you believe U.S. monetary authorities will have to take stronger measures to ensure the success of November's U.S. Treasury refunding?
A. I don't think so. The Treasury refinancing is at much reduced proportions and the Fed is more interested in ensuring tranquillity at this point. Still, I doubt the Fed will initiate any additional easing prior to the refunding. Only if the stock market were to sell off sharply from here would we see any change in policy. Then the Fed would push more liquidity into the market.

•

Q. How real is the risk of a recession in the United States? Have you revised your own forecast for economic growth next year?
A. This is the great analytical quandary. This is because there is no way that you can take all the changes in stock prices that have taken place, feed it into a computer and find out with certainty how it will affect the economy. I had forecast 3 percent growth for next year. It's certainly going to be less, but it's too early to say by how much.

•

Q. Is a valid compromise in Washington on the budget deficit the only piece of news that will calm financial markets?
A. We need to reduce the budget deficit in the United States and get moving on it in the next few weeks. In this connection, the budget deficit has become a symbol of how well we respond. There isn't any evidence to argue that a $23 billion reduction will make the difference between stable and unstable markets. What is at issue here is that we put into place a plan for a downward adjustment in the deficit. But we need to demonstrate much more the maximum of international cooperation. Nations can't pursue narrow domestic goals and we certainly can't afford the open fighting and bickering we saw a couple of weeks ago.

•

Q. There has been speculation among a number of economists lately that attempts to narrow the budget deficit through higher taxes could actually produce the recession it is designed to avoid. Do you share these fears?
A. When we're talking of only $20 to $30 billion at a time when the budget would have grown to $180 billion when compared to $148 billion last year, I think this concern is overblown, especially given the extraordinary symbolism, even internationally, given to reducing the budget deficit.

Flight to Quality Spurs Record Week

By Carl Gewirtz
International Herald Tribune

PARIS — The continuing flight to quality by investors made for a record week in the Euro-commercial paper market last week.

The volume of new paper passing through Euroclear's settlements system totaled $5.7 billion, while trading in the secondary market amounted to $3.4 billion, producing a weekly record of $9.1 billion.

The new-issue volume itself was just a tad below the record $5.8 billion recorded two weeks ago.

The rush to buy short-dated three-month paper issued by top-quality governments has also dramatically pushed down rates.

Sweden, for example, was able to market paper last week at 25 to 30 basis points below the London interbank bid rate. A week earlier, Sweden's paper fetched 17 basis points below Libid and a month ago the rate was around 15 basis points below the benchmark.

French state-guaranteed paper last week was quoted at 20 basis points below Libid, compared with minus 15 a month earlier, and Danish paper, also quoted at 20 points below, was at minus 10 a month earlier.

Dealers reported that demand far outstripped supply, particularly as most ECP programs that had set a ceiling on the amount of paper to be sold were at or very near the self-imposed limits. Dealers expect these limits to be revised upward.

At the same time, they anticipate that new borrowers, who up to now have been skeptical about the viability of this fledgling sector of the Euromarket, will be establishing ECP programs.

Meanwhile, in the syndicated loan market, borrowing charges are also continuing to drop, despite claims by many bankers that an increase is imminent.

Those who forecast higher charges base their argument on an expected increase in the volume of loans now that alternatives — issuing stock or bonds — are closed to all but the highest quality issuers.

But banks active in Asia are

INTERNATIONAL CREDIT

starved for new business and the rare new deal emerges after intense competition by banks to win the mandate. A good example of this is South Korea, the most heavily indebted country in the region.

Figures from the Bank for International Settlements show that South Korea reduced its foreign bank debt by $2.5 billion in the first half of this year, making a reduction of $5.2 billion in the year to last June, thanks to its burgeoning trade surpluses.

So when Hyundai Motor came to the market to finance an investment by its subsidiary in Canada, competition was fierce and the borrowing charge continued to decline.

Six months ago, Hyundai paid ⅜ point over Libor to borrow from the banks. The latest $100 million, nine-year loan will cost ¼ point over Libor.

Yukong Ltd., a South Korean oil company, plans to raise $50 million through the sale of floating-rate notes. However, given current investor preferences for top quality, the notes are most likely to end up in the portfolios of banks. The eight-year notes, which borrowers can redeem after five years, will bear interest of ⅛ point over Libor.

Heavy Industries Corp. of Malaysia is seeking bids to refinance 55 billion yen of fixed-rate debt at new, lower fixed-rate costs.

Turkey, which had entered the market seeking $85 million for three years, last week increased the size of the loan to $100 million. Interest is set at an eye-popping 1⅛ points over Libor with front-end fees ranging up to 1 percent. However, Turkey also sold lenders an option to convert the loan to Deutsche marks. The proceeds from this sale reduced the country's effective borrowing charge to 10 basis points over Libor.

New in the market is a five-year facility of 100 million European Currency Units for Arjomari-Prioux SA, a French producer of high-quality paper. The facility, which can be extended to seven years at the option of lenders, carries an annual fee of 6¼ basis points. Drawings in domestic francs will cost 15 basis points over the interbank rate, while drawings in other currencies will cost 8 basis points over Libor.

There will be utilization fees of 2½ basis points if more than one-third is drawn and of 5 basis points if more than two-thirds is used.

In the sterling sector, Williams Holdings, a company whose interests include engineering, aerospace and building products, is seeking a £100 million, multi-option facility. This is nominally a five-year deal but in fact is an "evergreen," since lenders each year will be asked to extend the life by one year.

The annual facility fee is 6¼ basis points plus one basis point each year for extending the life. The cost to draw on the credit is set at 10 basis points over Libor with a utilization fee of an additional 2½ basis points if more than one-quarter is used.

REBOUND: A 'Sucker Rally'?

(Continued from first finance page)

that the market was still "overbelieved" by investors.

"This translates to higher prices short term until the anticipated reflex action runs its course," he said. "But once the snap-back rally is over, prices are going lower."

Justin Mamis, an analyst at the investment firm of Cowen & Co., agreed with that sentiment in a commentary written during the market turmoil. "Why can't we just go right back up?" he asked. "Because 'V' bottoms lead to bear market rallies, and not new bull markets."

Students of market history recall the "sucker rally" after the great crash of 1929, which subsequently gave way to a long, tortuous decline.

In the worst bear market of the 1970s, they also note, stocks appeared to be staging a comeback in late 1973 before they slid to the lows of the decade in 1974.

But analysts note that Wall Street precedents are not necessarily rules that cannot be broken.

The optimistic case right now is founded on the premise that the market's spectacular drop has already set in motion forces that can avert a recession in the producing and consuming economy and ultimately restore confidence.

The Federal Reserve, which had been tightening its credit policy to try to quell inflation worries, quickly switched to a stimulative approach, pumping money into the financial system.

And interest rates, which had been rising, took a rapid drop. At the onset of a recession, rates are typically moving up steadily.

(LAT, AP, Reuters)

CONSUMERS: *Car Sales to Offer Clue on Confidence*

(Continued from first finance page)

least four months for the full impact of a fall in the stock market to hit consumer spending, so it is not surprising that the preliminary readings on the consumer mood are somewhat fuzzy.

While news reports spotlighted incidents of car and home sales being canceled, surveys showed that most Americans outside major financial centers remain relatively unconcerned about the market turmoil.

Consumer confidence levels, which most economists study as an early indication of the economy's direction, have sagged as the stock market has tumbled, but not so dramatically as to give a clear picture of new behavior patterns.

The Conference Board, a business group, reported last week that its index of consumer confidence dropped to 110.4 from 116.9 during the week after Oct. 19's 508-point market plunge. That 5.6 percent decline, a spokesman for the group said, was barely significant and much less than the 33 percent drop during the 1973 oil crisis.

Richard Curtin, who runs another survey of consumer confidence at the University of Michigan's Institute for Social Research, said it would be some time before it is safe to draw any final conclusions about the impact on consumers.

He said that when faced with an economic event of the magnitude of the Oct. 19 plunge, people tend to go through a period of disbelief into one of uncertainty, often followed by a sense of relief that their worst fears — the specter of Depression-era bread lines, for example — have not come to pass. Only then do they settle into the new economic reality.

Right now, he said, uncertainty reigns among consumers. "They no longer think that their views about the economy are adequate and they don't know what to replace them with," he said. "People are very unsure as to what it means to me, my job, my financial future."

Uncertainty in itself, however, is a powerful influence on the economy. Consumers who are unsure what their holdings will be worth, or whether their jobs and incomes are secure, often decide to postpone or scale back spending plans.

The new car can wait, their thinking goes, as can the bigger house, and maybe it would be a good idea to hold the line on Christmas presents this year, just in case.

The extent to which that phenomenon is settling in will most likely show up in the 10-day auto sales figures on Wednesday.

If sales remain at around the annual 6 million-vehicle rate that they were running before the market plunge, it will be taken as a sign that consumers are shrugging off Wall Street's latest woes — or at least are taking a deep breath and betting that the economy is resilient enough to keep on ticking.

But if sales fall much below an annual rate of 5 million, it will almost certainly be taken as a warning that spending is slowing significantly.

Economists warn, however, against putting too much stock in one-month changes in sales. The data are affected most of the time by special factors such as incentives offered to car buyers that temporarily inflate sales and make comparisons difficult.

Economists also point out that consumer spending was easing off even before the stock market began its gyrations, at least partly because of high debt levels and the loss of some tax deductions on interest payments on consumer debt.

EUROBONDS: *Is Bigger Safer?*

(Continued from first finance page)

clients were not pleased with the intended use of the money, reportedly to fund the bank's bond portfolio.

Merrill Lynch marketed $140 million of FRNs in the name of Guaranteed Investments, a repackaging of six different perpetual FRNs whose redemption in 50 years is assured by a zero-coupon bond issued by the World Bank. In addition, payment of interest and principal is guaranteed by an insurance company, giving the new offering a triple-A rating.

The notes will be issued in six separate tranches, each of which will be secured by the paper of one bank and a portion of the World Bank zero. Interest will be paid at ¼-point over Limean, the average of the bid-offered interbank rate, which is equal to 3/16 of a point over Libor.

There are two kickers to this very complex deal: Holders can request redemption at par value after 10 years, or can at any time, for a 1 percent fee, exchange the new FRN for the underlying perpetual plus the World Bank zero.

The exchange feature is supposed to be the sexy part of the deal, making up for the unexciting margin over Libor.

The exchange is potentially a very valuable option since perpetuals currently are out of favor and trade at 15 percent discounts from face value.

If perpetual prices ever recovered and traded at par value, holders making the exchange could make a huge profit.

However, riding the recovery in perpetual prices is not an open option. Investors could find themselves forced to exercise the option because the new FRN can be called at a premium price of 102 anytime after the second year.

The notes, offered at par, were quoted at 99.90 at end of the week.

The market also saw several New Zealand dollar FRNs last week, but these were really private placements targeted for clients in Japan.

The Euroyen paper, floating and fixed, was well received.

Bankers expect demand to pick up as the Japanese authorities are threatening to close a loophole that had enabled foreigners to buy domestic yen bonds.

There is a withholding tax on domestic paper that foreigners have escaped by selling their holdings to domestic investors just before coupon payments.

The expected new rules will apply the withholding tax on an accrual basis, effectively eliminating the evasion and driving foreign investors to the tax-free Euroyen market.

The one bond market to have suffered last week was the Australian-dollar sector. Domestic bond rates rose while the currency fell, even against the U.S. dollar.

Whereas the U.S. dollar dropped some 5 percent against the Deutsche mark last week, the Australian dollar lost 5.6 percent against the U.S. currency.

For West German purchasers of Australian dollar bonds, that meant a currency loss of almost 11 percent. Meanwhile, the price of the bonds dropped by some 1½ points.

Bankers calculate that it would take a 22 percent drop in the exchange rate to wipe out the gains a West German investor would expect to make from the higher coupon on three-year investment in Australian-dollar paper.

Japan Is Said To Urge Bidding For U.S. Bonds

Agence France-Presse

TOKYO — The Finance Ministry will advise Japanese institutional investors to bid actively for U.S. government bonds in an auction this week, market sources said.

The ministry believes that a decline in bidding by Japanese life insurance companies, trust banks and other financial institutions could lead to a further drop in the dollar as well as trouble on world financial markets, the sources said Saturday.

The U.S. Treasury is to auction bonds worth $23.75 billion this week.

In past auctions, Japanese institutional investors have bought about one-quarter of the long-term investments.

WIT: *Wall Street Jokes Wear Thin*

(Continued from first finance page)

more jokes," said Edward E. Yardeni, chief economist at Prudential-Bache Securities.

"But when it happens to us, it's not so funny."

Still, almost all those interviewed volunteered that they had heard a few good jokes, although they admitted that many were too tasteless to print.

Much of the humor deals with the sell-off's impact on the lifestyle of high-flying investors.

"How many investment bankers can you fit into the back of a pickup?" goes one. "Only two — you have to leave room for the lawn mowers."

Some are dusted off from previous crises and given a fresh spin.

Leigh S. Curry, an institutional salesman at Paine Webber Inc., offers this one: "A woman walking down Wall Street sees a frog that begs, 'Kiss me and I'll turn into an arbitrager.' The woman refuses. 'Not a chance,' she says, putting the frog into her purse. 'A talking frog might be worth something.' "

A year or so ago, that one circulated with an Oklahoma oilman in the title role.

Perhaps the most frequently heard joke of the past two weeks is: "What do you call a Harvard MBA? Waiter!"

Other jokes deal with the turmoil's effect on securities firms themselves. For example, the rumor on Wall Street is that two huge firms, Shearson Lehman Brothers and Paine Webber, plan to merge. The new firm would be called Shear Paine.

The layoffs at Salomon Brothers earlier this month prompted this glum joke: "What's the difference between Salomon Brothers and other Wall Street firms? About two months."

Politicians have also come under fire. One joke speared Senator Joseph R. Biden Jr., the Delaware Democrat who withdrew from the presidential race amid disclosures that he lifted portions of his speeches from other politicians. Mr. Biden's comment on the market panic: "We have nothing to fear but fear itself."

Not surprisingly, much of the humor deals with the morbid stereotype of distraught brokers taking their own lives:

What do they ask you when you want a room at the Hyatt? "Is it for sleeping, or jumping?"

Why haven't more brokers taken the plunge? "You can't open the windows."

What is the precipitation probability? "Rain, 30 percent, brokers, 70."

And how do you get a broker down from a tree? "Cut the rope."

There are also old favorites making a return appearance:

"What's the best way to make a million in the stock market? Start with $2 million."

Indeed, the most recent Wall Street one-liners are really nothing new. After the crash of 1929, the jokes sounded much like today's.

"I have an uncle working on Wall Street," goes one golden oldie. "He used to have a corner on the market. Now he has a market on the corner."

And: "Get my broker, Miss Jones."

"Yes, sir. Stock or pawn?"

Wood Gundy Falls Victim to BP Sale

New York Times Service

TORONTO — The large potential losses by a Canadian brokerage, Wood Gundy Inc., in underwriting the sale of British Petroleum Co. stock appear to have put in doubt First National Bank of Chicago's plans to take a stake in the brokerage.

William J. McDonough, vice chairman of First Chicago Corp., the parent of First National, said that executives of his company and Wood Gundy would meet to assess the impact of the BP transaction "before proceeding with the investment process."

First National agreed in June to pay about $206 million for a 35 percent stake in Wood Gundy. The agreement is still awaiting the approval of U.S. and Canadian regulatory agencies.

Britain announced Thursday that it would allow the £7.2 billion ($12 billion) offer of shares in BP to proceed, despite the collapse in share prices, but said the Bank of England would buy back shares at their current trading value for the next month.

NASDAQ National Market

OTC Consolidated trading for week ended Friday. October 29

[illegible]

Euromarts At a Glance

Eurobond Yields

	Oct.28	Oct. 21
U.S. $, int'l inst., 5 yrs & over	10.02	10.34
[illegible]	10.58	10.73
[illegible]	10.29	10.48
[illegible]	10.01	10.41
[illegible]	10.86	10.65
French francs, less than 5 yrs	10.16	10.39
ECU, 5 yrs & over	9.33	9.49
3 to 7 yrs	8.75	9.38
Can. $, 3 to 7 yrs	10.75	11.22
Aus. $, 3 to 7 yrs	13.89	13.14
N.Z. $, less than 5 yrs	18.45	18.15
Yen, 5 yrs & over	6.32	6.38
5 to 7 yrs	6.80	6.14

Source: Luxembourg Stock Exchange.

Weekly Sales *Oct. 29*

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	197.10	573.80	1,811.20	1,848.90
Convert.	82.00	5.70	588.70	2.70
FRNs	21.00	—	391.80	272.40
ECP	741.20	12.90	5,745.00	220.90
Total	1,041.20	592.40	8,536.70	1,484.50

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	9,211.70	11,908.30	17,771.30	9,571.22
Convert.	674.60	593.60	1,928.80	843.70
FRNs	2,424.30	1,489.40	19,960.80	2,896.20
ECP	2,389.70	127.00	2,396.50	120.65
Total	14,700.30	14,218.30	43,857.20	13,651.78

Source: Euroclear, Cedel.

Libor Rates *Oct. 30*

	1-month	3-month	6-month
U.S. $	7 5/8	7 11/16	7 11/16
Deutsche mark	3 11/16	4 1/8	4 1/4
Pound sterling	9 11/16	9 5/8	9 9/16
French franc	9 5/8	9 5/8	9 5/8
ECU	7 3/16	7 3/8	7 3/8
Yen	4 3/16	4 1/2	4 7/16

Source: Morgan Guaranty, Lloyds Bank, Reuters.

Treasury Bonds

Oct. 30

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
31.7.89	100 16/32	100 18/32	7.58	7.75
15.8.90	99 27/32	99 29/32	7.92	8.12
30.6.91	103 2/32	103 4/32	8.18	8.45
15.11.92	100 7/32	100 9/32	8.31	8.55
15.7.94	104 10/32	104 12/32	8.65	8.88
15.8.97	98 15/32	98 17/32	8.85	8.97
15.2.06	102 4/32	102 11/32	9.12	9.18
15.8.17	98 18/32	98 20/32	9.01	9.09

Source: Salomon Inc.

(Continued on next page)

[illegible]

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

(Continued)

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
PrmrBc			1589	7¼	6⅞	7¼	+ ½
PrmBnc	.16e	.7	10	26½	24½	24½	+ ½
PresLf s	.08	.8	3387	10¾	8⅞	10½	— ½
PrsinCp	.50	5.7	955	10	8¾	8¾	—1¼
Preway			1434		⅞	⅞	+
Priam			15610	2	1	1½	— ½
PriceCo			20970	31½	26¾	31	+ ¾
PrcePt			1251	10½	6¾	7¾	—3¼
PSS Pub			453	10¾	9	10¾	+1¼
PrcaTR			1841	22¾	17½	21½	— ¾
PrmeBk	.05e	.5	89	10½	9¼	9¼	—1¼
PrmCap			634	5¾	4½	5¾	
PrmeMd			1971	2½	1⅝	2	— ⅜
PrinvD	.16b	1.8	503	9¼	8½	8⅞	— ⅜
Prironx			950	9	8	8¾	— ¾
ProdOp	.16	3.7	297	4⅝	3⅞	4⅜	— ⅜
Prolinv			330	5½	2½	5	—1
Proffitt			106	6¾	5¾	6½	
ProfitS			2273	7½	6½	7¼	— ¼
ProgSys			67	9	7½	9	+ ½
ProgFn	.05e	.4	416	12¼	11	12	
ProgBk	.40	2.6	314	15½	13¼	15½	— ¼
Progrp			616	5½	4¼	5¾	
Pronet			434	5	2½	5	+ ½
PropTr	.80	10.7	924	8¼	7	7½	— ½
ProsGp			6609	7½	5½	7¼	— ¼
PspctPk			423	14½	10½	14½	+1¼
ProtLfe	.70	5.4	1662	12⅞	11¾	12⅞	+ ⅞
ProvAm			95	1	½	1	— ⅛
PrvLfe	.84	5.5	4320	17⅛	14¼	15¼	—2
PrudFn			175	11¾	10¾	11¾	+ ¼
[illegible]							

	Div.	Yld.	Sales in 100s	High	Low	Close	Net Ch'ge
Relicin			1891	13	9½	10¾	—2¼
RgcyCr			15980	1⅜	1⅛	1⅜	+ ⅛
RgcyEl	.20	5.5	6534	4¼	2¾	3⅞	— ⅜
RgcyEa			9060	⅝	⅝	⅝	+ ⅛
Regina s			1654	15	10¼	14½	+1½
RegIBc	.08a	.7	681	12¾	9⅞	11¼	—1⅝
Regis s	.20	1.6	35	12¾	11¾	12¼	+ ¼
ReistFS	.10r	.8	25	13	11	13	— ½
Relias			130	5	3⅞	4½	— ½
Repco			67	4	2⅝	2⅝	—1⅜
Replgn			3135	8¼	5½	8½	+ ¾
RepAm	.24a	1.8	4794	15⅝	13⅝	14¼	— ½
RpAuto			345	6	4¼	5¼	— ¾
RpPicA			1615	5½	4⅜	4½	—1½
RepSLA	1.20	6.5	120	18½	15	18½	+1
RepSav			581	3½	2	3⅛	— ¼
RscPsn	1.08	12.0	191	9¼	8½	9	— ¼
RsPn2	.88	10.4	104	9	8½	8½	
RsPn3 s	.80	10.0	166	8¾	7⅞	8	+ ⅛
Resdel	1		587	5	3	4¼	— ½
ResInc	.40	4.3	115	10	9	9¼	—1½
Rshind			1592	5	2⅞	4⅞	— ⅛
Resind			40	3	2¾	2¾	— ¼
RscEx			895	2	1⅝	2	+ ⅛
ResIMg	.07	1.1	314	7	5¾	6⅝	+ ⅜
Reuterl			423	8¾	7¼	8½	
ReutrH	.96e	1.9	23082	49½	40½	49¼	—4¾
ReverF	1.56	14.5	107	10¾	10	10¾	+ ½
Rexon			5879	5¾	5¼	5½	— ¼
Rexwks			276	4½	3½	4⅛	— ⅛
RevRy	.76	3.9	3417	20	14¾	19½	
Rheomt			345	5¾	4¼	5½	
RhonPl			3309	27¾	26⅜	26⅝	—1¾
Ribilm			15919	4⅞	3	4¾	
RichEl			1252	15	13¼	14¼	
RchmHl	.05e	.4	2882	11¾	9¾	11⅛	+ ⅛
Richton			2314	3¾	2¼	3	— ⅞
RdowdP			273	31	29	31	+1½
RiggsNt	1.10	5.2	1480	24	20	21¼	—2¾
RghtMg			277	2⅞	2	2	—1
Ritzys			209	⅜	⅛	⅛	— ⅛
RivFor	.20	1.2	89	17½	16½	16½	—1¼
[illegible]							

[illegible]

Mutual Funds

Figures as of close of trading Friday. October 29

NEW YORK (AP) — The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

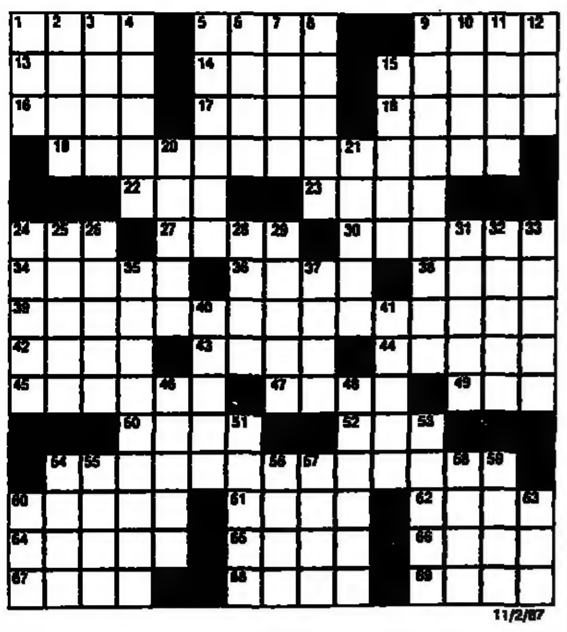
[illegible]

Chicago Exchange Options

Figures as of close of trading Friday. October 29

[illegible]

SPORTS



11/2/87

ACROSS

1 Irvin or Ty
5 Ray
9 Joker, e.g.
13 Actor Sharif
14 Taj Mahal site
15 Gluts
16 Monkey or tree
17 Come close
18 Catchall site
19 Hawthorne novel
22 Actor Ely
23 Pianist Templeton
24 Baseball's Mel
27 Grate
30 Wears away
34 Pâtisserie item
36 Finely honed
38 —— Lisa
39 British Museum display
42 Long time
43 Atlanta arena
44 Exploiters
45 Gymnast Mary Lou
47 Bridge term
49 Bean type
50 Kind of code
52 Cook's abbr.
54 "I Dreamt I Dwelt ——"
60 Gazelle
61 English river
62 Ange appendage
64 Velvetlike cloth
65 Invent
66 Stuff
67 Borscht ingredient
68 —— of Court
69 "Kiss Me, ——"

DOWN

1 Tent item
2 Elide
3 English spa
4 Pipe type
5 Kind of split
6 Elbe feeder
7 Fine steed
8 Actress Gibbs
9 Tunneled site
10 Aleutian island
11 Hold in
12 Mil. decoration
15 Less perilous
20 Mushroom
21 Actress Verdugo
24 Aquatic mammal
25 Western resort
26 English river
28 Ladle off
29 Famed Quaker family
31 Noted Washington couple
32 Juárez January
33 Pert
35 Old or New follower
37 Biographer Ludwig
40 Dead duck
41 Cuban dance
46 Vestment for John Paul II
48 Whence 39 Across came
51 Calculators
53 Remiss
54 Dies ——
55 Ennead
56 Jungle king
57 "—— go bragh!"
58 Turkish coin
59 Bed part
60 P.D. message
63 Scot's uncle

SPORTS BRIEFS

Berger Easy Winner of Japanese Grand Prix

TOKYO (UPI) — Austrian Gerhard Berger, starting from pole position, led virtually from start to finish to win Sunday's Japan Grand Prix, bringing the Ferrari team its first victory in two and a half years.

During tire changes the lead briefly went to other drivers, but Berger dominated en route to Ferrari's first victory since the 1985 West German Grand Prix.

Berger completed the 51 laps of the 3.64-mile (5.86-kilometer) Suzuka course in western Japan in 1 hour, 32 minutes and 58.07 seconds, averaging 120.53 mph.

Ayrton Senna of Brazil drove his Lotus to second place, more than 16 seconds behind Berger, after overhauling Sweden's Stefan Johansson, who had to settle for third place in his McLaren only three-tenths of a second in arrears.

Brazilian Nelson Piquet, already assured of the 1987 Formula One drivers' championship, dropped out with five laps remaining when his Williams developed engine trouble. Piquet clinched his third world title when teammate Nigel Mansell of Britian, the only man who could have caught him, dropped out of the event after he was injured in an accident during Friday's qualifying.

Watson Extends Lead in Rich Golf Tourney

SAN ANTONIO, Texas (AP) — Tom Watson shot a 1-under-par 69 to maintain a four-stroke lead after Saturday's third round of the $3 million Championships of Golf, the richest tournament in the sport's history.

Watson has led the event from the first day; on Friday, a 66 stretched his margin to four strokes. Trying to end a nonwinning streak of more than three years, Watson had a 54-hole total of 200.

Mark O'Meara (a 66) and Mark Calcavecchia (69) were tied for second at 204. With a 68 that included a double bogey, Greg Norman was alone at 205, a stroke ahead of Larry Mize, Paul Azinger, Chip Beck, Corey Pavin and Bernhard Langer.

Solution to Friday's Puzzle

DISH	ALE	ATOM	
DISPENSES		RAVES	
INTERESTS		CREST	
OGLE	NOTE	HORSE	
DUE	SERENE	SCAR	
ESSAY	TREND	AGE	
SPIES	RUBLES		
METHOD	CORALS		
RATION	SALON		
ANI	NIVEN	CESAR	
IDOL	CARIBS	NRA	
SALES	MISE	SEEN	
ERATO	PATENTLOG		
DITTO	ETERNALLY		
NEST	DER	ERSE	

10/31/87

Baumann Retires

TORONTO (UPI) — Alex Baumann of Canada, who won two gold medals in the 1984 Summer Olympics, has retired from competitive swimming.

"I can't really do any better in 1988 than I did in 1984," Baumann said Friday. "My body's getting quite a bit older. . . . The desire and motivation just aren't there."

Baumann won the 200- and 400-meter individual medley events at the Los Angeles Olympics, setting world records in each.

Those were two of the six world records he recorded, the first as a 17-year-old in 1981.

VANTAGE POINT/George Vecsey

The Children's Hour, the Parents' Pride

New York Times Service

NEW YORK — Lee MacPhail could sit with his son at the moment of ultimate triumph while Frank and Helen Viola had to watch their son celebrate from a distance. But all three parents shared the joy of seeing somebody who used to be a child now handle the details and the pressures of being an adult.

For Lee MacPhail and for Frank and Helen Viola, that moment came last Sunday night in Minneapolis. Andy MacPhail is the 34-year-old general manager of the World Series champion Twins; Frank Viola Jr. is the 27-year-old most valuable player of the World Series.

There were moments when the parents realized that their own identities, their own accomplishments, would be slightly sublimated to their sons' achievements. To some people, in ways slight or major, they might be defined as somebody's parent.

"Since I'm retired, it's made my summer very enjoyable," said Lee MacPhail, who watched his son go into the family business.

Frank Viola, who watched his namesake take control of the seventh game of a World Series, also noticed how his son organized an outing to a restaurant the night before:

"We've always been close, none of that generation gap stuff," the father said. "But I was always the father; they always listened to me. When we went out to a restaurant, Frank took care of everything. I found that kind of interesting."

What united Lee MacPhail with Frank and Helen Viola was the observation, made by them, confirmed by others, that the two sons were coping in a setting that turns some men cranky.

"Coming home on the plane the next morning," Frank Viola Sr. said, "a reporter said to me, 'The thing that impressed me most about your son was not winning Game 1 or Game 7, but that after losing Game 4 he didn't act any different. He came out and talked to us.' I was proud to hear the reporter tell me that."

Parents hope that their lessons, their values, will some day come in handy, but they usually cannot guide their children's careers. Lee's father, Larry, the innovative general manager with Cincinnati, Brooklyn and the New York Yankees, had made Lee work on a cattle ranch, literally shoveling manure, before Lee could take a job in baseball.

While Lee was becoming general manager at Baltimore and New York and then American League president, he and his late wife urged the children to go to college and read history and biographies before settling into a career.

There were moments when the parents realized that their own identities, their own accomplishments, would be slightly sublimated to their sons' achievements. To some people, in ways slight or major, they might be defined as somebody's parent.

"I pointed out to my kids that there are only a few jobs," he recalled. "My oldest son was a general manager at Reading before he was killed in an auto accident. My second was working for the Pirates before his bride discovered that baseball executives work all day and then go to the games at night. Then Andy."

Andy MacPhail worked odd jobs at Yankee Stadium, went to Dickinson College and worked for the Cubs and the Astros before taking over the Twins in 1986. While he fine-tuned the club, Andy hired Ralph Houk as a consultant and often asked advice of his father.

"I wouldn't want to say I was more than a sounding board," Lee MacPhail said. "He knows more about his team than I do."

At the final out last Sunday, Andy MacPhail was in his private box with only one other person — his father. Lee said, "We sort of embraced a little bit, patted each other on the back."

Frank Viola Sr. knows baseball, too, but as a devoted New York Giants fan. He recalled: "I would tell Frank how Carl Hubbell might give up a home run but then go on to get the next batter. Lots of times, if something happened to Frank, he would feel sorry for himself and lose his concentration."

During the league championship opener, Frank Jr. let a 4-1 lead get away before the Twins finally won the game. That night, while staying at his son's house, the father could not resist saying, "It just seems to me that a man of your experience should have been able to hold the lead."

Frank Sr. recalled: "My son said, 'You don't understand,' but on his way up to bed he turned to me and said, 'I explained it to 250 reporters, but I've never been able to con you.'"

The parents missed the opening game of the World Series because of the wedding of their younger son, John. Then they saw Frank Jr. lose in St. Louis on Tom Lawless's home run.

"In the seventh game, I just didn't want him to be embarrassed. . . ," the father said. "Around the fourth inning, I saw the look on his face, that determined look, and I knew he was all right."

Frank and Helen Viola remembered their own identities during the Series; he is the comptroller of radio station WEVD in New York, she is a part-time corrections officer.

The honors keep rolling in for their son: Thursday the White House; Friday in New York he was awarded the Sport magazine car as most valuable player in the Series. The parents hope their son will keep his identity, but they know it is not as easy for a star.

"You always worry," said Helen Viola. "He's 27. He could change. But he's still fun to be with. As a mother, I'm very proud of that."

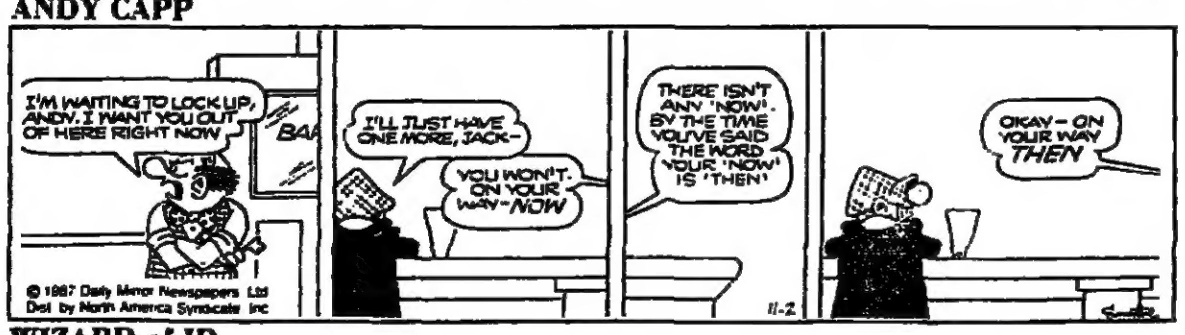
DENNIS THE MENACE

PEANUTS

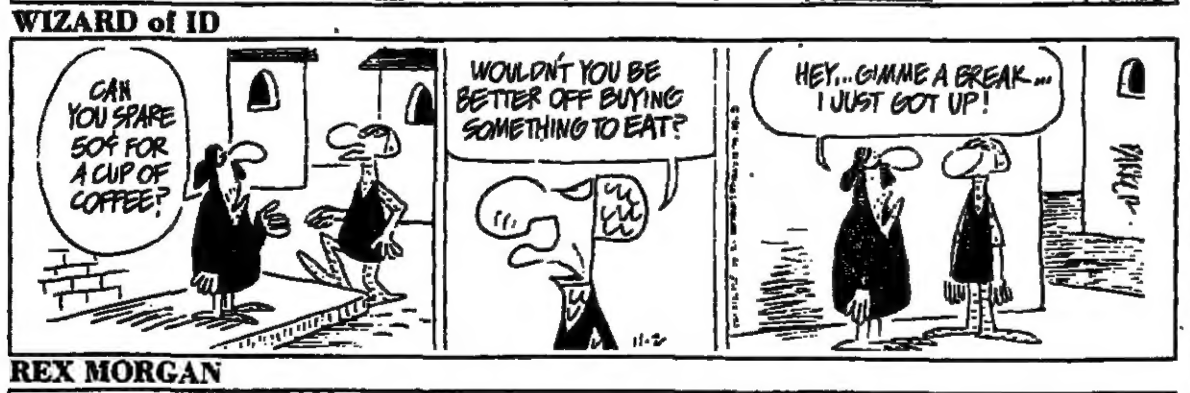
BLONDIE

BEETLE BAILEY

ANDY CAPP



WIZARD of ID



REX MORGAN

GARFIELD

JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

ESSOU

RODOB

CLOWAL

STRUME

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: A

(Answers tomorrow)

Friday's Jumbles: PAUSE EMERY SADIST PLACID
Answer: Some members of the younger generation may be alike in many of these— "DIS-RESPECTS"

WEATHER

EUROPE — HIGH — LOW

ASIA — HIGH — LOW

AFRICA

LATIN AMERICA

NORTH AMERICA

MIDDLE EAST

OCEANIA

HONG KONG: *After Free-Fall, Fear Lingers*

(Continued from first finance page)

the territory's gleaming business district. It is the economic equivalent, magnified a few times, of the apprehension that some Chinese hold of a devastating earthquake.

It is an edginess, an uncertainty and volatility, that will greatly complicate the territory's greatest challenge over the next few decades: its return to China on July 1, 1997, and the task of integrating one of the world's most free-wheeling economies with one of the most controlled.

Business in Hong Kong is as ruthless and colorful as ever, but it is changing in three fundamental ways. The turmoil in the last few weeks underscores them all:

• China is increasing its business and supervisory role in the territory, 10 years before it becomes the landlord. The Beijing-based Bank of China was a major participant in a rescue package to bolster the futures exchange. China even risked its scarce foreign exchange on a buying spree of Hong Kong shares to help save the capitalists from themselves.

When Karl Marx forecast that increasingly turbulent business slumps in capitalist societies would culminate in a communist revolution, he did not count on neighboring communist countries bailing them out.

• Hong Kong, more than ever, is becoming an international business center. Of course, the territory has always been sensitive to circumstances abroad, but the interaction has been growing enormously.

Today perhaps one-third of Hong Kong shares are owned by outsiders: Japanese, Britons, Americans, Taiwanese and Chinese. Foreign capital also has made tremendous inroads in the last two years in the local property market and even in businesses such as retailing, where big Japanese companies dominate the department store market.

• Laissez-faire remains Hong Kong's motto, but not necessarily its guiding light. After the first plunge on the stock market, the stock exchange closed its doors for nearly a week. The move led to fierce criticism of Ronald Li, chairman of the exchange.

And the Hong Kong government twice intervened with rescue packages to bail out the futures exchange. Now, the government is talking about other regulations, such as higher capital requirements for financial firms and laws to make insider trading a crime.

And for the last four years, the Hong Kong dollar has been pegged to the U.S. dollar instead of floating freely.

It is the China connection that looms largest over Hong Kong. Gordon Y.S. Wu, the head of Hopewell Holdings Ltd. in Hong Kong, remarked, "We're sitting on the edge of one billion people, who 15 years ago were waving little Red Books" of Mao Zedong.

Now, as Mr. Wu notes, those people are settling down on farms and factories to make money. Under the senior Chinese leader, Deng Xiaoping, China is experimenting with stock markets and free enterprise. But Mr. Deng is 83 years old, and his successor may not be so quick to equate prosperity with righteousness.

Hong Kong is probably the closest approximation on earth of pure capitalist mercantilism. That formula has made it the 12th-biggest exporter in the world, a speck with 5.6 million people who in a few decades have achieved a per capita income that is higher than that of Spain or Ireland.

Most of the population has come to Hong Kong from China in the last 40 years and has unpleasant recollections of Communist rule. Some Hong Kong companies, such as the Jardine Matheson group, lost their holdings in Shanghai when the Communists arrived there in 1949. Those firms do not want to repeat the experience in Hong Kong in 1997.

Thus the overriding question in Hong Kong, on which every business is gambling its future, is this: Will China let Hong Kong be Hong Kong? The answer that people give, increasingly, is yes.

In the last few years China has come across as so determinedly capitalist — at least in its operations in the territory — that the consensus is growing that China sincerely does want to make Hong Kong work, that it has too much at stake to allow the territory's position to crumble.

Thirty percent of China's exports pass through Hong Kong, and two thirds of its foreign investment comes from the territory. The fortunes of the one billion people north of the double barbed-wire border fence depend nearly as much on Hong Kong as the other way around.

Serious doubts remain, of course. Even if China wants to make Hong Kong succeed, will it be clumsy and heavy-handed so that it frightens the territory without really mening to? Some analysts also worry that Chinese-owned companies in Hong Kong are over-extended and could fail if the economy cools. That, they think, might lead to intervention from Beijing and preferential treatment that would upset the rest of the business community.

Hong Kong's business leaders disagree on whether the crisis represented by 1997 is a danger or an opportunity. Mr. Wu sees Hong Kong as the future "New York of China," the financial center for the manufacturing hinterland. Mr. Wu's stock phrase is that "Hong Kong will be the storefront, and the Pearl River delta of China will be the factory."

Many of Hong Kong's manufacturers are similarly optimistic, but its brightest young professionals — foreign-educated bankers, doctors and lawyers — generally seem unconvinced. They are emigrating, just in case things go sour.

And therein lies part of the danger for Hong Kong, whose business community is losing its best people as fast as it can train them.

Money is leaving, as well as people. Real estate prices in Chinatowns from Manhattan to Sydney are soaring as Hong Kong investors diversify their portfolios and bid up prices. Yet, it is striking that investors are salting away only a portion of their assets, and that even those who emigrate do not take all their money with them.

"Most of their assets are working furiously in Hong Kong," said Richard H. Redknap, director of RIA Land Co., which helps Hong Kong residents buy foreign properties.

David K.P. Li, the chief executive of the Bank of East Asia in Hong Kong, explains: "Hong Kong is still a very good place to make money — and to keep it, because of low taxes." Perhaps it is natural that people are more cautious in gambling with their own futures than in betting with their money.

In any case, at the same time that the territory suffers a crush around the exits, it has also seen an infusion of capital and — at least until the stock market crash — a boom in its property and stock markets. Much of the boom has come from an inflow of capital from Japan, the United States, Britain and even China, more than compensating for the capital flight.

Now, Hong Kong seems to be at a crossroads. In the stock exchange, in offices, even on the twisting streets, there is a sense that the colony is teetering.

Many people remember growing up with poverty, and memories of the stunning 92-percent drop in stock prices in the 1973-74 market crash remain fresh. As they peer off the precipice, firm ground seems far more distant than it does to an investor or business executive in New York or London.

The current crisis was not caused by China, but it is exacerbated by the knowledge that a "crunch" had been widely predicted a few years hence, as 1997 draws closer. Maybe, people worry, the crunch has come early.

Yet, if people worry, they also know that in the long term, no one has ever made money betting against Hong Kong. If the psychology can be reversed, the underlying economy is strong.

Stock Mutual Funds Mostly Trailed Market

By Eric Berg
New York Times Service

NEW YORK — Many individual investors who thought they would be safer in stock mutual funds had a nasty awakening in the stock market fiasco: The majority of funds performed worse than the market.

"The funds just didn't do as well as one would have liked," said Michael Lipper of Lipper Analytical Services Inc., which tracks their performance.

Of 857 stock-oriented mutual funds that reported to Mr. Lipper's firm for the two weeks ended Thursday, 287 produced a total return for investors better than the 17.88 percent drop in Standard & Poor's 500-stock index, while 570 funds did worse.

The top performing fund, Oppenheimer Ninety-Ten Fund, had bought put options — options to sell at an agreed price at a specific time, made in expectation of falling prices. Others that gained relied on buying stocks with a history of fast earnings growth or large dividends, or invested heavily in foreign securities.

"No way was it luck," said Milton Berg, manager of Ninety-Ten Fund and the No. 2-ranked Premium Income Fund. "About the third week in September, I wrote a 35-page report for my firm predicting a terrible stock market crash."

SPORTS

Colts Defeat Jets, 19-14, In Dickerson's Debut After Trade From Rams

Compiled by Our Staff From Dispatches

EAST RUTHERFORD, New Jersey — Albert Bentley, whose role is likely to shrink with the Colts' acquisition of Eric Dickerson, gained 145 yards and Dean Biasucci kicked four field goals Sunday to lift Indianapolis to a 19-14 victory over the New York Jets.

The Colts, 4-3, remained tied atop the American Football Conference East in the National Football League.

NFL ROUNDUP

Dickerson, acquired from the Los Angeles Rams on Saturday in a three-team deal, rushed for 38 yards in 10 carries in his debut with the Colts. His biggest contribution came on a 28-yard swing pass in the first quarter. Bentley carried the brunt of the rushing with 29 carries.

The NFL's leading rusher in three of his first four seasons, Dickerson was traded after continuing contract disputes with the Rams. The Buffalo Bills acquired linebacker Cornelius Bennett, the Colts' unsigned first-round draft pick, as part of the deal.

Sources familiar with the trade said Dickerson had signed a contract for three years worth $1 million a year.

Asked about his new contract on Saturday, he said: "Let's just say it's fair. Very, very fair."

At halftime, the Jets retired the No. 13 worn for 13 seasons by receiver Don Maynard, enshrined in the Hall of Fame this year. Joe Namath, who for years teamed with Maynard to form one of pro football's most lethal passing combinations, is the only other Jet to have his number, 12, retired.

Saints 38, Falcons 0: In Atlanta, Bobby Hebert completed his first six passes in two first-quarter scoring drives as New Orleans routed the Falcons. It was the sixth shutout in the history of the Saints, now in their 21st season.

Hebert completed three passes for 19 yards and also ran twice for 25 yards in an 80-yard drive he capped by hitting Mike Jones with a 7-yard scoring pass on the Saints' first possession. He came back to complete three for 39 yards in a 46-yard drive that ended on Barry Word's 1-yard run, giving New Orleans a 14-0 lead with 55 seconds left in the opening period.

Redskins 27, Bills 7: In Orchard Park, New York, Jay Schroeder threw two touchdown passes to Kelvin Bryant and the Washington defense intercepted Jim Kelly three times.

Running back George Rogers returned to the Redskins' starting lineup after a shoulder injury and keyed the Washington rushing attack with 125 yards. The Redskins defense limited the Bills to 21 yards rushing with forced four turnovers.

Kelly completed 25 of 43 passes for 292 yards. The Bills dropped to 3-4.

Bears 31, Chiefs 28: In Chicago, Jim McMahon passed for three touchdowns, including a 38-yarder to Willie Gault with 4:44 left, and Dennis Gentry returned a kickoff 88 yards for another touchdown to lead the Bears to a comeback victory over Kansas City.

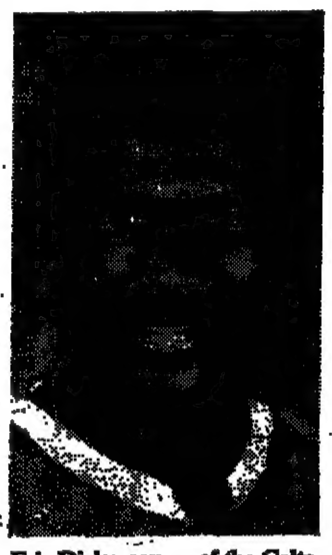
It was the first start of the season for McMahon, who returned from shoulder surgery in the second half of last week's game. He completed 23 of 34 passes for 287 yards and extended his streak to 24 victorious starts. His late heroics, including a a 25-yard touchdown pass to Gault earlier in the fourth period, offset four touchdown passes by Kansas City's Bill Kenney.

The loss was the sixth in a row for the Chiefs. The Bears raised their record to 6-1.

Dolphins 35, Steelers 24: In Miami, Dan Marino weathered a shaky start in the rain and passed for four touchdowns and 332 yards to lead the Dolphins past Pittsburgh.

The NFL's all-time top-rated quarterback completed 25 of 31 attempts, including scoring passes of 41 and 33 yards to Mark Clayton and 50 yards to Mark Duper that helped the Dolphins overcome a 21-7 halftime deficit.

Marino, throwing for 300-plus yards for the 24th time in his four-year career, also tossed a 2-yard TD pass to Bruce Hardy in the second quarter. It was the 14th four-touchdown game of his career, three shy of the NFL record held by Johnny Unitas, and gives him 14 touchdown passes in four games in 1987. *(AP, UPI)*



Eric Dickerson — of the Colts.

Lenny Ignelzi/The Associated Press

Despite a crunching tackle by Arizona State's Stacy Harvey, Mike Farr held onto this first-quarter pass for a UCLA first down Saturday in Tempe, Arizona. The Bruins won, 31-23.

UCLA Downs Arizona State; Indiana Falls

Compiled by Our Staff From Dispatches

TEMPE, Arizona — UCLA solidified its drive for a berth in the Rose Bowl Saturday while the scramble intensified for the other one.

Paco Craig caught two touchdown passes during a 17-point UCLA outburst in the third quarter, leading the Bruins to a 31-23 victory over Arizona State in a Pacific-10 conference game.

In Iowa City, Iowa, David Hudson scored on a one-yard run and Rob Houghtlin kicked the last of his three field goals with 1:57 left, helping Iowa defeat Indiana, 29-21, and stall the Hoosiers' drive to their first Rose Bowl in 20 years.

The Hoosiers fell a half-game behind Michigan State in the Big Ten standings after the Spartans downed Ohio State, 13-7. The Spartans and the Hoosiers will meet in two weeks in East Lansing, Michigan.

"This is going to be a dogfight the rest of the way," said Indiana's coach, Bill Mallory. "We can't play again the way we did in the first half today and expect to win."

Chuck Hartlieb connected on 19 of 27 passes for 271 yards and one touchdown as the Hawkeyes improved to 6-3 overall and 3-2 in the Big Ten. Indiana, which led 21-20 with 14 minutes left, fell to 6-2 overall and 4-1 in the conference.

Michigan State, stung by a 79-yard touchdown pass on the first play from scrimmage, overwhelmed Ohio State the rest of the way in taking the Big Ten lead. The Spartans are 5-2-1 overall and 4-0-1 in the conference. Ohio State slipped to 5-2-1 and 3-2.

In Tempe, UCLA's Gaston Green, who entered the game second in the nation in rushing, was minus 5 yards in six carries before leaving the game with a shoulder injury. Brian Brown led the Bruins in rushing with 134 yards on 19 carries, 74 of those yards on a touchdown run with 2:12 left in the game.

UCLA is 7-1 overall and 5-0 in the Pacific-10. Arizona State dropped to 5-3 and 2-2.

Oklahoma 71, Kansas 10: In Lawrence, Kansas, Patrick Collins ran for two touchdowns and six other Sooners scored rushing touchdowns in a 565-yard ground assault. Oklahoma, 8-0 overall and 4-0 in the Big Eight, has won 17 straight games. The 71 points is the most ever allowed by Kansas, 1-7 and 0-4. Last year Nebraska scored 70 points against the Jayhawks.

The Sooners scored on three of their first four possessions to give Coach Barry Switzer his 145th Big Eight victory, tying him with Bud Wilkinson, his predecessor, for most victories in the conference. Nebraska's coach, Tom Osborne, also has 145 victories after the Cornhuskers defeated Missouri.

Nebraska 42, Missouri 7: In Columbia, Missouri, Steve Taylor threw four touchdown passes and ran 22 yards for another score in Nebraska's pounding of Missouri. Tight end Tom Banderas tied a Nebraska record by catching three touchdown passes. Nebraska, 8-0, fumbled on its first two possessions, but raced to a 28-7 halftime lead. Taylor completed eight of 13 passes for 139 yards and gained 75 yards on 14 rushes.

COLLEGE FOOTBALL ROUNDUP

Syracuse 24, Pittsburgh 10: In Pittsburgh, Don McPherson passed for two touchdowns and ran for another to help Syracuse overcome its last major obstacle to an undefeated season by downing Pittsburgh. The Orangemen brought their season record to 8-0, their best start since they won the national title in 1959.

Boston College 20, Tennessee 18: In Chestnut Hill, Massachusetts, Jim Anderson recovered a fumbled kickoff and freshman tailback Tim Frager converted the turnover with an 8-yard scamper for the touchdown, helping Boston College, 5-4, edge the Volunteers, 5-2-1.

Notre Dame 56, Navy 13: In South Bend, Indiana, Anthony Johnson ran for four touchdowns and Mark Green gained 102 yards on the ground, powering the Irish, 6-1, to victory. Johnson finished with 25 yards on five carries. Navy has lost seven times in eight outings.

Louisiana State 42, Mississippi 13: In Jackson, Mississippi, Tom Hodson hooked up with Wendell Davis on three scoring strikes to lead LSU and strengthen the Tigers' hold on first place in the Southeast Conference. The Tigers improved to 7-0-1 and 4-0.

Alabama 21, Mississippi State 18: In Birmingham, Alabama, Bobby Humphrey became Alabama's all-time leading rusher on his first run of the game and scored the winning touchdown with 46 seconds left to lift the Crimson Tide past Mississippi State.

Clemson 31, Wake Forest 17: In Clemson, South Carolina, Joe Henderson rushed for 131 yards and two fourth-quarter touchdowns, rallying the Tigers to a 7-1 overall mark and 4-1 in the Atlantic Coast Conference. Wake Forest fell to 5-3 and 2-3.

Florida State 73, Tulane 14: In Tallahassee, Florida, Danny McManus threw three touchdown passes and Dayne Williams scored on three one-yard plunges to power Florida State's victory. Sammie Smith added three touchdowns as the Seminoles improved to 7-1.

Auburn 29, Florida 6: In Auburn, Alabama, Harry Mose and Stacy Danley each rushed for a touchdown and Jeff Burger passed for another to lift Auburn over Florida. Auburn improved to 7-0-1 overall and 3-0-1 in the Southeast Conference. Florida dropped to 5-3 and 2-2.

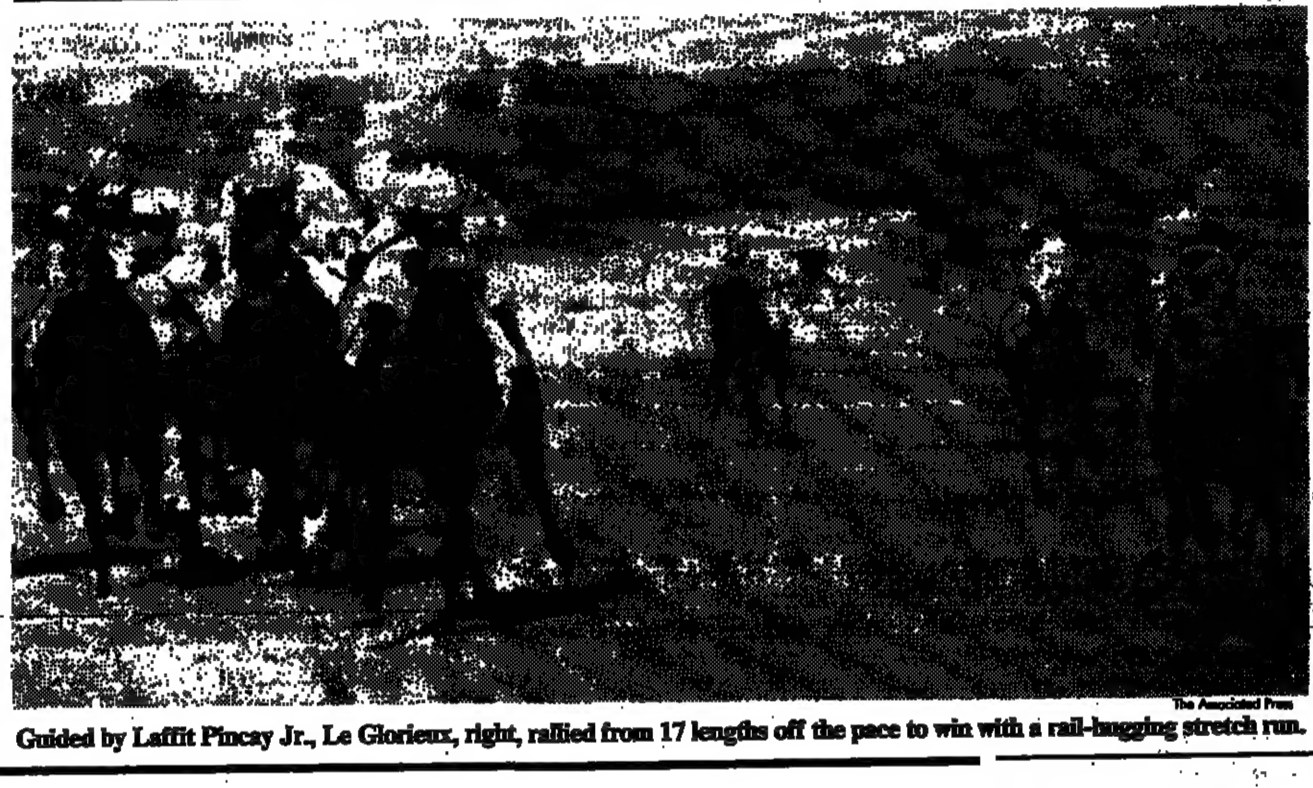
Penn State 25, W. Virginia 21: In University Park, Pennsylvania, Blair Thomas rushed for 181 yards on 36 carries as Penn State rallied for two touchdowns in the final eight minutes to beat West Virginia and boost its NCAA record for consecutive nonlosing seasons to 49.

Oklahoma State 56, Kansas State 7: In Stillwater, Oklahoma, Thurman Thomas rushed for 130 yards and three touchdowns to spark Oklahoma State over Kansas State, which is without a victory this year.

Miami 41, East Carolina 3: In Greenville, North Carolina, Steve Walsh passed for 212 yards and three touchdowns in the Hurricanes' 27th straight regular-season triumph. Miami improved to 6-0. East Carolina fell to 4-5.

South Carolina 48, North Carolina State 0: In Columbia, South Carolina, Harold Green scored three touchdowns and South Carolina, 6-2, held its opponent to 36 yards of offense.

Arkansas 38, Rice 14: In Houston, James Rouse ran for three touchdowns and Greg Thomas added another score to lead Arkansas, 6-2 overall and 4-1 in the Southwest Conference. Rice fell to 2-7 and 0-5. *(UPI, AP)*



The Associated Press

Guided by Laffit Pincay Jr., Le Glorieux, right, rallied from 17 lengths off the pace to win with a rail-hugging stretch run.

West German 3-Year-Old Takes D.C. International

By Andrew Beyer
Washington Post Service

LAUREL, Maryland — They played the West German national anthem after Saturday's Washington, D.C., International, but the lyrics might well have been altered to "Pincay Uber Alles."

It was Laffit Pincay Jr.'s cool and flawless ride that brought Le Glorieux his narrow victory in the 36th and richest running of Laurel Race Course's most prestigious race.

If Pincay had made even one small mistake, or had failed to save ground on both turns, Maryland's sensational 18-year-old jockey Kent Desormeaux would have won on the front-running U.S. long shot Great Communicator. But Pincay managed to get Le Glorieux through on the rail to win the $750,000 event by a neck. Motley was third, a nose in front of Stately Don.

Le Glorieux covered the 1¼ miles (2,015 meters) in 2 minutes, 2-4/5 seconds.

The most ballyhooed horse in the field, the Soviet Union's Gjatsk, never got into contention. "He was not in the same class as these horses," jockey Marat Kojomzharov conceded after Gjatsk struggled home in 13th place, 17 lengths behind the winner. (It was a bad day all around for the Eastern bloc: Poland's Omen finished 11th in the International and another Soviet horse, Star, was trounced in a lesser handicap race.)

Le Glorieux is a true internationalist. His ownership is West German, but the colt is a son of the Le Fabuleux mare La Mirande and the former Maryland star Cure the Blues. Le Glorieux was bred in England and is trained in France by Robert Collet.

The 3-year-old wasn't considered a top horse abroad. He couldn't beat stakes horses in France, and scored his only victories when he shipped to West Germany to run against somewhat inferior competition.

But when he came to the United States and finished second in the Man o' War Stakes at Aqueduct last weekend, he earned the favorite's role in a weak International field.

Before the race, Collet told Pincay to put the colt in third or fourth place in the early stages. That would have been a good spot, but the horse wouldn't cooperate. "He just didn't seem to be willing to go," Pincay said. "Going into the first turn I was way behind, and I said: 'What the hell am I doing back here?'"

While Le Glorieux dropped well out of contention, Great Communicator and the English colt Risk Me raced head and head for the lead, five lengths in front of the field, setting an honest pace — the first quarter-mile in :23-2/5, the half-mile in :46-3/5.

When Risk Me gave up, Motley shot up the rail to make a challenge for the lead. But he couldn't get through cleanly, and jockey Cash Asmussen steadied him, losing his momentum at a crucial moment. That left Great Communicator with a clear lead as the field turned for home. And Le Glorieux still didn't seem to be going anywhere.

The favorite had been some 17 lengths behind in midrace and as he straightened into the stretch he still had half a dozen horses in front of him. Pincay had made the best of a bad situation, trying to save ground on the turns. Having done so, he had to hope that he would find running room on the rail in the stretch.

Pincay steered Le Glorieux around the tiring Risk Me in the early part of the stretch run, and then went back to the rail. "I was kind of lucky the field was spread out," he said. "I had to maneuver in and out, and then I hoped that the horse in front was going to drift out."

Great Communicator was holding off challenges from Motley and Stately Don, but he is not a strong finisher. In fact, his only victories this season came in a claiming race and an allowance race in California. So When Le Glorieux got into gear and found plenty of room on the inside, the leader couldn't hold him off.

Le Glorieux won $450,000, increasing his lifetime earnings to $802,889.

The International's crowd of 20,654 was somewhat of a disappointment, since the presence of the Soviet horse had figured to be a box-office attraction. But the crowd bet $2,813,300, an all-time Laurel record, on the 11-race program.

SCOREBOARD

Hockey

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	Pts	GF	GA
New Jersey	7	3	0	14	39	30
NY Islanders	6	3	1	13	44	27
Washington	6	4	1	13	40	31
NY Rangers	4	5	3	11	48	47
Pittsburgh	3	6	3	9	45	50
Philadelphia	3	6	2	8	37	44

Adams Division

	W	L	T	Pts	GF	GA
Montreal	7	4	2	16	51	40
Boston	5	4	1	11	36	37
Buffalo	4	4	3	11	40	42
Quebec	5	4	1	11	42	35
Hartford	4	5	1	9	31	40

CAMPBELL CONFERENCE

Norris Division

	W	L	T	Pts	GF	GA
Toronto	6	4	0	12	46	42
Detroit	5	4	1	11	33	33
Chicago	5	5	1	11	46	48
Minnesota	4	5	2	10	37	40
St. Louis	3	5	1	7	28	32

Smythe Division

	W	L	T	Pts	GF	GA
Edmonton	6	5	0	12	49	41
Calgary	5	5	1	11	44	44
Winnipeg	5	4	0	10	28	29
Los Angeles	3	7	1	7	27	45
Vancouver	2	6	1	5	31	37

FRIDAY'S RESULTS

Montreal 2 2 1—5
Detroit 2 2 0—4
Corson (4), Chelios (5), Ludwig (1), Smith (8), McPhee (4); Ashton (2), Murphy 2 (2), Probert (4). Shots on goal: Mont. (on Hanlon) 10-10-10—30; Det. (on Hayward) 9-10-6—25.

Los Angeles 1 0 0—1
Buffalo 1 2 2—5
Gilles (4), Arniel (3), Creighton (1), Krupp (1), Housley (8); Paterson (1). Shots on goal: Los Angeles (on Puppa) 11-6-9—26; Buffalo (on Melanson) 13-9-8—30.

Washington 0 0 2 0—2
Winnipeg 0 1 1 1—3
MacLean (5), Small (1), Hawerchuk (4); Christian 6 Hunter 4. Shots on goal: Washington (on Reddick) 8-6-17-0—31; Winnipeg (on Malarchuk) 15-11-9-2—37.

Calgary 1 2 0 0—3
Vancouver 1 2 0 0—3
Nieuwendyk (7), McCrimmon (1), Bullard (4); Coxe (2), Adams (8), Smyl (2). Shots on goal: Calgary (on McLean) 6-11-4-4—25; Vancouver (on Vernon) 11-15-6-1—33.

SATURDAY'S RESULTS

N.Y. Rangers 0 0 2—2
N.Y. Islanders 2 3 3—8
Makela 2 (4), Sutter (6), Trottier (7), King (1), La Fontaine (8), Kerr (4), Gilbert (1); Podddubny (10), Dionne (7). Shots on goal: N.Y. Rangers (on Hrudey) 17-11-9—37; N.Y. Islanders (on Froese) 7-15-10—32.

Edmonton 1 2 2—5
New Jersey 2 3 1—6
Verbeek 2 (9), Sullimon (1), Loiselle (7), Muller (2), Sundstrom (3); Kurri (6), McMurchy (1), Messier 2 (9), G. Anderson (10). Shots on goal: Edmonton (on Chevrier) 10-8-14—32; New Jersey (on Fuhr) 7-10-10—27.

Philadelphia 2 1 1—4
Hartford 1 4 2—7
Turgeon (3), Francis (3), Dineen (7), Kleinendorst (1), Tippett (4), Williams (2), Gavin (3); Poulin (2), Howe (1), Eklund (1), Marsh (1). Shots on goal: Philadelphia (on Weeks) 15-7-6—28; Hartford (on Hextall) 14-16-9—39.

Pittsburgh 1 2 1 1—5
Quebec 0 2 2 0—4
Lemieux 2 (13), Mantha (1), Simpson 2 (9); Brown (5), Gillis (1), P. Stastny (12), Finn (1). Shots on goal: Pittsburgh (on Brunetta) 12-8-11-4—35; Quebec (on Riggin) 3-11-14-2—30.

Boston 0 2 1 0—3
Montreal 0 1 2 0—3
Courtnall 2 (3), Neely (9); Gonchar (1), McPhee (5), Chelios (6). Shots on goal: Boston (on Hayward) 13-9-7-1—30; Montreal (on Lemelin) 7-10-9-1—27.

Washington 1 0 2 0—3
Minnesota 0 1 2 0—3
Ridley (4), Stevens (1), Hunter (5); Acton 2 (4), Broten (4). Shots on goal: Washington (on Beaupre) 18-7-12-2—39; Minnesota (on Malarchuk) 5-8-11-0—24.

Chicago 1 2 2—5
Toronto 3 2 1—6
Leeman (3), Iafrate 2 (6), Damphousse (3), Courtnall (6), Terrion (2); Larmer (6), Stapleton (1), D. Wilson (5), T. Murray (2), Savard (9). Shots on goal: Chicago (on Wregget) 10-8-5—23; Toronto (on Mason) 18-10-7—35.

Detroit 1 2 0 0—3
St. Louis 1 1 1 0—3
Ashton (3), Burr (3), Yzerman (8); Gilmour 2 (4), Hunter (3). Shots on goal: Detroit (on Millen) 10-8-9-2—29; St. Louis (on Stefan) 9-12-9-5—35.

European Soccer

SPANISH FIRST DIVISION

Athletic de Bilbao 0, Real Madrid 0
Celta 2, Real Madrid 0
Español 2, Zaragoza 1
Logrones 0, Barcelona 1
Atletico Madrid 3, Valladolid 0
Sabadell 0, Real Sociedad 2
Mallorca 2, Murcia 1
Sevilla 0, Osasuna 2
Cadiz 1, Las Palmas 0
Valencia 1, Gijon 1
Points: Real Madrid 17; Atletico Madrid 14; [illegible]

ITALIAN FIRST DIVISION

Ascoli 1, Verona 1
Fiorentina 4, Pescara 0
Juventus 3, Avellino 0
AC Milan 0, Torino 0
Napoli 2, Empoli 1
Pisa 2, Internazionale 1
Roma 3, Como 1
Sampdoria 4, Cesena 1
Points: Napoli 13; Roma, Sampdoria 10; [illegible]

ENGLISH FIRST DIVISION

Charlton 1, Southampton 1
Chelsea 2, Oxford 1
Derby 2, Coventry 0
Manchester United 2, Nottingham Forest 2
Newcastle United 0, Arsenal 1
Norwich 1, Queens Park 1
Portsmouth 1, Sheffield Wednesday 2
Tottenham 0, Wimbledon 3
Watford 1, West Ham 2
Liverpool 2, Everton 0
Points: Liverpool 31; Arsenal, Queens Park 29; Nottingham Forest 27; Manchester United, Chelsea 25; Everton 22; Tottenham 20; Southampton, Oxford 17; Derby, Coventry 16; Wimbledon, West Ham 15; Newcastle, Portsmouth 13; Luton, Sheffield Wednesday 12; Norwich 11; Watford 8; Charlton 6.

FRENCH FIRST DIVISION

Nice 0, Monaco 0
St. Etienne 0, Toulon 0
Matra Racing 1, Bordeaux 0
Nantes 2, Cannes 1
Metz 2, Niort 0
Auxerre 3, Paris-St. Germain 0
Marseille 1, Niort 0
Lens 2, Montpellier 1
Brest 2, Lille 2
Laval 4, Le Havre 2
Points: [illegible]

WEST GERMAN FIRST DIVISION

Werder Bremen 2, Eintracht Frankfurt 0
Cologne 1, Homburg 0
Nuremberg 2, Hanover 1
Stuttgart 4, Bayer Leverkusen 1
Bayer Uerdingen 2, Borussia Dortmund [illegible]
Bayern Munich 2, Bochum 0
Karlsruhe 2, Hamburg 1
Kaiserslautern 3, Waldhof Mannheim 2
Borussia Mönchengladbach 3, Schalke 0
Points: Werder Bremen [illegible]; Bayern Munich [illegible]; Borussia Mönchengladbach [illegible].

Football

Selected College Results

EAST

Amherst 14, Tufts 13
Army 17, Temple 7
Bates 44, Colby 38
Boston Col. 20, Tennessee 18
Bucknell 20, Cornell 6
Coast Guard 30, Trinity 6
Colgate 35, Lafayette 14
Connecticut 24, Villanova 23
Fordham 38, Iona 14
Hamilton 28, Middlebury 13
Harvard 14, Brown 9
Holy Cross 54, Massachusetts 10
Lehigh 26, Columbia 18
Maine 59, Delaware 56
New Hampshire 28, Rhode Island 14
Northeastern 51, S. Connecticut 10
Penn St. 25, W. Virginia 21
Princeton 17, Penn 7
Richmond 33, Boston U. 24
Syracuse 24, Pittsburgh 10
Union 31, Williams 7
Wesleyan 13, Bowdoin 12
Yale 17, Dartmouth 7

SOUTH

Alabama 21, Mississippi St. 18
Auburn 29, Florida 6
Citadel 38, W. Carolina 24
Clemson 31, Wake Forest 17
Duke 48, Georgia Tech 14
Florida St. 73, Tulane 14
Furman 58, Davidson 3
Kentucky 14, Virginia Tech 7
LSU 42, Mississippi 13
Miami (Fla.) 41, E. Carolina 3
N. Carolina 27, Maryland 14
S. Carolina 48, N. Carolina St. 0
Vanderbilt 27, Rutgers 13
William & Mary 17, VMI 6

MIDWEST

Akron 23, Nicholls St. 17
Ball St. 42, N. Illinois 17
Cent. Michigan 30, W. Michigan 27
Colorado 42, Iowa St. 10
Drake 36, Concordia (Wis.) 13
E. Michigan 34, Ohio U. 14
Illinois 27, Minnesota 17
Indiana St. 24, S. Illinois 15
Iowa 29, Indiana 21
Kent St. 17, Toledo 13
Miami (Ohio) 17, Bowling Green 7
Michigan 29, Northwestern 6
Michigan St. 13, Ohio St. 7
Nebraska 42, Missouri 7
Notre Dame 56, Navy 13
Oklahoma 71, Kansas 10
Purdue 49, Wisconsin 14

SOUTHWEST

Arkansas 38, Rice 14
Oklahoma St. 56, Kansas St. 7
Texas 41, Texas Tech 27
Texas A&M 32, Louisiana Tech 3
Texas Christian 35, Houston 7
Texas-El Paso 34, New Mexico 0
Tulsa 26, Louisville 22

FAR WEST

Arizona 23, Stanford 13
Brigham Young 24, Air Force 13
California 20, Oregon 6
Fullerton St. 41, New Mexico St. 14
Idaho 41, Weber St. 38
San Diego St. 29, Hawaii 21
San Jose St. 24, Utah St. 14
Southern Cal 42, Washington St. 7
UCLA 31, Arizona St. 23
Utah 31, Boise St. 27
Washington 28, Oregon St. 12
Wyoming 29, Colorado St. 15

CFL Standings

Eastern Division

	W	L	T	PF	PA	Pts
x-Winnipeg	11	5	0	512	346	22
x-Toronto	10	5	1	441	358	21
x-Hamilton	7	9	0	481	433	14
Ottawa	3	14	0	256	559	6

Western Division

	W	L	T	PF	PA	Pts
x-Brit Colmb	10	6	0	425	334	20
x-Edmonton	10	6	0	546	428	20
x-Calgary	8	8	0	577	445	16
Saskatchwn	5	11	1	350	495	11

x-clinched playoff spot

Friday's Result

Ottawa 12, Saskatchewan 9

Transition

BASKETBALL

National Basketball Association

DALLAS—Waived Dennis Nutt, guard.

DENVER—Signed Elston Turner, guard.

HOUSTON—Waived Andre LaFleur and Dane Suttle, guards.

FOOTBALL

Canadian Football League

CALGARY—Activated Bruno Geremia, defensive back, from the practice roster. Activated Harold Hallman, defensive tackle, from the reserve list. Placed David McCrary, cornerback, and Kent Warnock, defensive end, on the reserve list. Placed Kirby Warren, running back, on the practice roster.

HAMILTON—Activated Alvin Bailey, defensive back; Dan Huclack, running back, and Anthony Ketchum, wide receiver, from the practice roster. Activated Jacques Chapdelaine, slotback, from the disabled list. Placed Tony Champion, wide receiver, and Mark Napiorkowski, defensive tackle, on the reserve list. Placed Lance Shields, defensive back, on injured reserve. Released Jeff Johnson, running back; Mitchell Price, defensive tackle, and Jeff Treftlin, defensive back.

TORONTO—Activated David Daniels, defensive back; Bruce Elliott, linebacker, and Gene Thomas, wide receiver, from the practice roster. Activated Gilbert Renfroe, quarterback, from the reserve list. Placed John Congemi, quarterback; Doran Major, defensive back, and Brian Walling, running back, on the reserve list. Placed Stanley Johnson, wide receiver, on the practice roster.

WINNIPEG—Activated Sheldon Gaines, wide receiver; Stan Mikawos, defensive tackle, and Ed McQuarters, guard, from the practice roster. Placed James Murphy, wide receiver, and Ken Winey, wide receiver, on the reserve list. Released Nick Bastaja, guard; Eric Emery, linebacker, and Bennie Thompson, defensive back.

National Football League

ATLANTA—Signed Chris Miller, quarterback, to a five-year contract.

BUFFALO—Signed Cornelius Bennett, linebacker, to a five-year contract.

GREEN BAY—Activated Brent Moore, defensive end, from injured reserve.

KANSAS CITY—Signed Mark Keel, tight end. Placed Gary Baldinger, defensive lineman, on injured reserve.

L.A. RAMS—Traded running back Eric Dickerson to Indianapolis for running back Owen Gill, first- and second-round draft choices in 1988 and a second-round draft choice in 1989. Acquired running back Greg Bell, a first round draft choice in 1988 and first- and second-round draft choices in 1989 from the Buffalo Bills, who received the rights to linebacker Cornelius Bennett from Indianapolis.

MIAMI—Activated John Offerdahl, linebacker; Reggie Roby, punter, and Tom Brown, fullback, from injured reserve.

NEW ENGLAND—Activated Reggie Dupard, running back, from injured reserve.

SAN FRANCISCO—Activated Jeff Bregel, guard, from injured reserve. Placed Guy McIntyre, guard, on injured reserve.

HOCKEY

National Hockey League

EDMONTON—Recalled Tom McMurchy, forward and Jim Wiemer, defenseman from Nova Scotia of the American Hockey League.

N.Y. RANGERS—Recalled Mike Donnelly, left wing, from Colorado of the International Hockey League.

PHILADELPHIA—Signed Nick Fotiu, left wing.

COLLEGE

NORTHEAST LOUISIANA—Announced that Kelvin Collins, guard, has quit the basketball team.

UNION COUNTY (N.J.)—Named Kevin Duggan basketball coach.

HULA BOWL—Named Mike White of Illinois the East coach; Terry Donahue, of UCLA the West coach; Mike Gottfried, Pittsburgh, and Joe Morrison, South Carolina, East assistant coaches, and Bob Wagner, Hawaii, and Pat Jones, Oklahoma State, West assistant coaches.

Auto Racing

JAPANESE GRAND PRIX
(At Suzuka, Japan)

1. Gerhard Berger, Austria, Ferrari; 1 hour, 32 minutes, 58.072 seconds; average speed 120.530 mph (192.847)
2. Ayrton Senna, Brazil, Lotus Honda; 1:33:15.456.
3. Stefan Johansson, Sweden, McLaren TAG; 1:33:16.744.
4. Michele Alboreto, Italy, Ferrari; 1:34:18.913.
5. Thierry Boutsen, Belgium, Benetton Ford; 1:34:23.648.
6. Satoru Nakajima, Japan, Lotus Honda; 1:34:34.551.
7. Alain Prost, France, McLaren TAG; 1:32:59.449; 1 lap behind.
8. Jonathan Palmer, Britain, Tyrrell Ford; 1:33:45.786; 1 lap.
9. Eddie Cheever, U.S., Arrows Megatron; 1:33:57.553; 1 lap.
10. Derek Warwick, Britain, Arrows Megatron; 1:34:42.275; 1 lap.

DRIVER STANDINGS

1. Nelson Piquet, Brazil, 73 points.
2. Nigel Mansell, Britain, 61.
3. Ayrton Senna, Brazil, 57.
4. Alain Prost, France, 46.
5. Stefan Johansson, Sweden, 30.
6. Gerhard Berger, Austria, 27.
7. Teo Fabi, Italy, and Thierry Boutsen, Belgium, 12.
9. Michele Alboreto, Italy, 11.
10. Eddie Cheever, U.S., 8.

Tennis

Women's Tournaments

WIGHTMAN CUP
(At Williamsburg, Virginia)
(United States 5, Britain 2)

First Round

Zina Garrison, U.S., def. Anne Hobbs, Britain, 7-5, 6-2.
Lori McNeil, U.S., def. Sara Gomer, Britain, 6-2, 6-1.

Second Round

Pam Shriver, U.S., def. Jo Durie, Britain, 6-1, 7-5.
Gigi Fernandez and Robin White, U.S., def. Sara Gomer and Clare Wood, Britain, 6-4, 6-1.

Third Round

Pam Shriver, U.S., def. Anne Hobbs, Britain, 6-4, 6-3.
Jo Durie, Britain, def. Zina Garrison, U.S., 7-6 (7-5), 6-3.
Jo Durie and Anne Hobbs, Britain, def. Zina Garrison and Lori McNeil, U.S., 0-6, 6-4, 7-5.

(At Zurich)

Quarterfinals

Steffi Graf (1), West Germany, def. Katerina Maleeva (5), Bulgaria, 6-2, 6-3.
Hana Mandlikova (2), Czechoslovakia, def. Judith Wiesner, Austria, 6-3, 7-5.
Manuela Maleeva (3), Bulgaria, def. Raffaella Reggi (7), Italy, 6-2, 6-4.
Nathalie Tauziat, France, def. Christina Singer, West Germany, 7-5, 6-4.

Semifinals

Graf def. Maleeva, 6-4, 6-7 (6-8), 6-1.
Mandlikova def. Tauziat, 6-1, 3-6, 6-3.

Final

Graf def. Mandlikova, 6-2, 6-2.

Men's Tournament

(At Antwerp, Belgium)

Quarterfinals

Ivan Lendl (1), Czechoslovakia def. Tim Mayotte, U.S., 6-3, 6-3.
Pat Cash, Australia def. Wojtek Fibak, Poland, 4-6, 6-3, 6-4.
Miloslav Mecir, Czechoslovakia, def. John McEnroe, U.S., 7-6, 6-4.
Mats Wilander (2), Sweden def. Brad Gilbert, U.S., 6-2, 6-4.

Semifinals

Lendl def. Cash, 6-4, 7-6.
Mecir def. Wilander, 6-1, 6-3.

Final

Lendl def. Mecir, 5-7, 6-1, 6-4, 6-3.

Kenyan Ibrahim Hussein Wins New York Marathon

The Associated Press

NEW YORK — A confident Ibrahim Hussein of Kenya caught pacesetter Pat Petersen shortly past the 14-mile (22.6-kilometer) point and coasted to victory in Sunday's 18th New York City Marathon.

Hussein, ninth in the 1985 race in his marathon debut and fifth last year, was timed 2 hours, 11 minutes, 1 second.

Priscilla Welch of Britain led all the way in easily winning the women's title in 2:30:16. Welch, who will be 43 on Nov. 22, is the event's oldest women's winner; Miki Gorman was 42 years, 75 days when she won for the second consecutive time in 1977.

For Hussein, 29, a former Western Athletic Conference steeplechase champion at the University of New Mexico, it was his sixth marathon and third victory.

Prior to Sunday's race he said he felt relaxed and "very confident" — as compared to last year, when he ran "scared."

"I think you will see some surprises," Hussein had said. "I think somebody will steal the race. I hope that somebody is me."

Early in the 26-mile, 385-yard race through New York's five boroughs, Petersen tried to steal the race. The top U.S. finisher here in 1984 (fourth) and 1985 (third), Petersen set a blistering early pace, opening a 35-second lead at five miles. He was on a record 2:04 pace before Hussein reeled him in just after the halfway point.

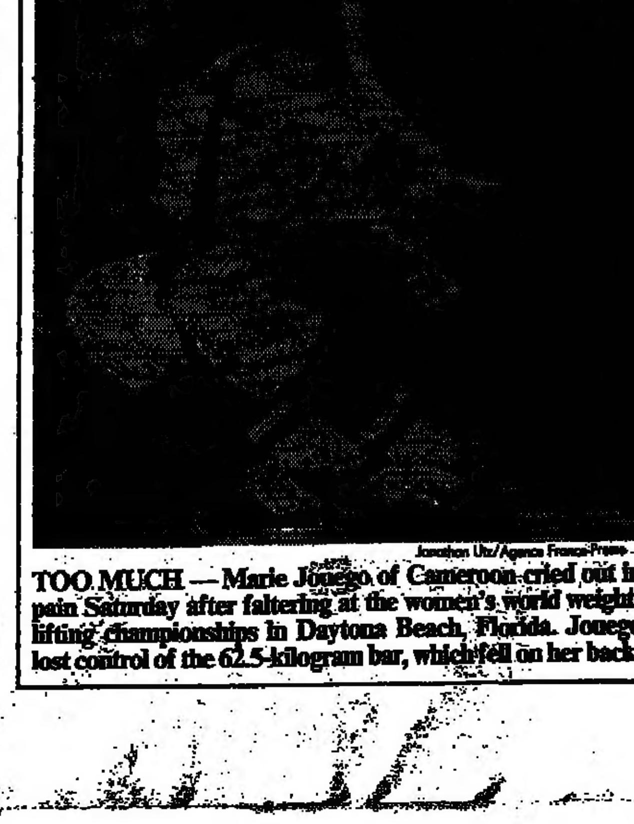
Petersen hung on to second most of the rest of the way before being overtaken in the closing stages and placing fourth in 2:12:03, behind Gianni DeMadonna of Italy (2:11:53) and Pete Pfitzinger (2:11:54), the 1984 U.S. Olympic Trials marathon winner. Tommy Ekblom of Finland finished fifth in 2:12:31.

The race attracted a record field of more than 22,000.

Hussein, the first African to win here, ended a string of three consecutive victories by Italian runners. Orlando Pizzolato won in 1984 and 1985, and Gianni Poli triumphed last year. This time Pizzolato faded to sixth and Poli never was in contention.

Françoise Bonnet and Jocelyne Villeton, both of France, finished second and third among the women. Allison Roe of New Zealand, the 1981 champion, dropped out before the 10-mile mark.

Hussein and Welch each collected $25,000 and a new Mercedes-Benz.



Jonathan Utz/Agence France-Presse

TOO MUCH — Marie Jouego of Cameroon cried out in pain Saturday after faltering at the women's world weightlifting championships in Daytona Beach, Florida. Jouego lost control of the 62.5-kilogram bar, which fell on her back.

Pontus Hulten Returns to Beaubourg Museum

International Herald Tribune

PARIS — Something has gone wrong at the Pompidou center, as many visitors have observed and as Pontus Hulten, the first director of the center's museum, is among the first to admit. The crowds are still huge, the hustlers and jugglers in front of the entrance are as intrusive as ever, the schedule of coming events as

MARY BLUME

crammed. But after a brilliant and tumultuous start 10 years ago, the center has settled into uneasy middle age compounded by staff resignations and sinking morale.

Hulten says it's hard to know exactly what has gone wrong or what should be done. "Frankly I cannot answer because I've been so depressed by the place that I haven't gone," he says. Hulten directed the museum from its inception until 1981 when he left to head the Los Angeles Museum of Contemporary Art. He has had two successors, both of whom have resigned. "It is as if the place had stopped," Hulten says.

Now there is every reason to hope that it will start up again. This Monday Hulten returns to the Pompidou center, appointed by the Ministry of Culture to a two-year tour as consultant not only on the museum but on all the center's activities. His small office is over a butcher shop in a building next to the center, a choice that is in many ways symbolic.

The office overlooks the Stravinsky *fountain* made by Jean Tinguely, Hulten's friend since they both came to Paris in the 1950s, and Niki de Saint Phalle. The butcher shop is there because from the start Hulten fought to have the center impinge as little as possible on neighborhood life. His office is not in the main building because he has long campaigned to have all offices moved out in order to provide more exhibition space.

"I don't think the staff need seven-meter-high ceilings," he says.

Beaubourg, as the center is popularly known, was the last example of the 1960s idea of the museum as a cultural center. The recent decade has seen the museum as an object of display, civic, corporate and, above all, architectural (few people talk about the *inside* of James Stirling's Stuttgart museum). What the coming decade will bring, Hulten says, depends on which city one is talking about.

"There is no answer to the question of an ideal museum. Each city's needs are different and also it depends on the existing institutions — you have to fit into what the city needs and wants and already has."

Understandably reticent about specifics so early in the job Hulten has a general view of Beaubourg's function at the present time. "I would like for museums to be more like reference places where you can check on what's happened and what's going on. Exhibitions should concentrate more on the contemporary at Beaubourg, rather than continue with the historical shows. A symbol of that would be that living artists would show on the fifth floor, which is now reserved for historical shows."

One of the best known figures on the international art scene ("He has an appallingly shiny reputation," says a member of Britain's backbiting art establishment) Hulten, 63, is a Swede who was the first director of Stockholm's Moderna Museet and who had mounted shows at the Stedelijk in Amsterdam and New York's Museum of Modern Art before being named director of the unbuilt Pompidou museum in 1973. He is at present head of the FIAT-backed Palazzo Grassi in Venice, a position he will retain since it involves organizing only one exhibition a year.

A genial man and an enthusiastic sailor (he took his sailboat to Los Angeles and to Venice), Hulten is an astute politician in the widest meaning of understanding very well whichever *polis* he happens to find himself in. Widely criticized for not being French when he was appointed to Beaubourg, Hulten says with a smile that this turned out to be a great advantage.

"It certainly helped me in France to be a foreigner. There are lots of things that you don't have to know about. Also, you are not so to speak in one clan or another."

At the beginning he had to fight criticism of the building's tinker toy architecture and the fact that the museum's collection was sparse indeed. During his tenure the collection expanded splendidly but getting the French to accept contemporary art was more difficult. In the six years that he has been away, he thinks the situation has greatly changed.

"The Beaubourg effect has been in operation in the sense that politicians have understood on a very broad level that you don't lose votes if you support contemporary art. So what's happening in France in general is that museums and exhibition spaces around the country have changed their programs radically. Paris has become a most active and adventurous site for contemporary art."

While in Paris Hulten will oversee the final planning and opening, in the fall of 1988, of the Institut des Hautes Etudes d'Arts Plastiques, the long-delayed multi-discipline arts study section of the Pompidou center.

The institute, which will be located in a fine late-Gothic building on the Left Bank that served lately as a fire station, will enable a small multinational group of young artists to live and work with visiting professors.

"I think we'll be able to get very good visiting professors because the chance to work with brilliant young people for two months is great even if it is also very tiresome, which it may be," Hulten says.

Such institutions as Black Mountain College and Princeton's Institute of Advanced Study have provided inspiration, as has, inevitably, the Bauhaus.

"The Bauhaus is different, though, because it was in a small city. Both Weimar and Dessau were rather tiny — it was similar to a regiment in a small city where the professors were the officers and the students the enlisted men.

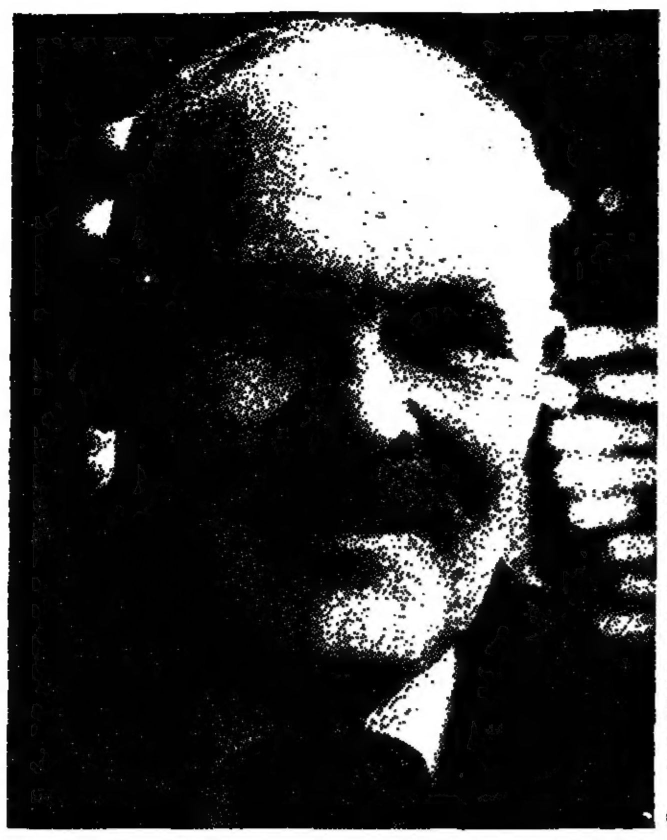
"I think today it would be totally out of the question to try something like the Bauhaus. In Paris the great personalities will be there for a short time and you have to get the maximum out of that time. Buckminster Fuller always started his lectures by saying, 'We will be together two or three hours, this is the unique chance that we have.' For me the *concentration is important* — if you have somebody who is an authority and you want to talk to him about what he knows best, why shouldn't it work?"

Hulten's first shows after Beaubourg's opening were what he lightly referred to as Ping-Pong blockbuster exhibitions such as Paris-New York and Paris-Berlin and Paris-Moscow that flattered France's image of itself as the birthplace of modern art and that by emphasizing the past glossed over the barren contemporary French art scene.

"The beginning of the century had not been dealt with in a coherent way, and as much of what happened happened in Paris it was logical to bring these facts together and show how the beginning of the century was formed in a dialogue between Paris and other parts of the world," Hulten says.

He thinks that today the time for huge pedagogical shows is past although he is in favor of smaller ones. One of the first challenges will come in the form of a subject that is causing headaches right now in institutions throughout France: how to celebrate the bicentennial of the French Revolution in 1989.

"I think we should do a very beautiful exhibition on a very international subject and not try to make a commemoration," Hulten says. "It should be more like a gift than anything else."



Keystone

"I've been so depressed by the place that I haven't gone," says Pontus Hulten as he returns to the Pompidou center.

LANGUAGE

Scabs, Ginks and Finks

By William Safire

WASHINGTON — "Scab Ball" was the label pinned on the professional football played by *replacements* or *substitutes* by such sportswriters as Tony Kornheiser of The Washington Post. The owners' use of *scab labor* — usually a union member's derogation of an employee who works during a strike — prevailed, and the players' strike was broken.

The use of the word is intended to impute disgust. From the Old Norse, *scab* means "crust that forms over a wound or sore," and is akin to the Latin *scabere*, "to scratch." Although most lexicographers had long thought that the slang term was an Americanism, the Oxford English Dictionary's Supplement tracks the strike-related meaning to a British publication, Bonner & Middleton's Bristol *Journal in 1777, writing about a* strike in a cordovan shoe factory: "Matters are amicably settled. . . The Conflict would not been [sic] so sharp had not there been so many dirty Scabs."

In 1792, a writer in "Early English Trade Unions" defined the term somewhat heatedly: "What is a scab? He is to his *trade* what a traitor is to his *country*. . . . He first sells the journeymen, and is himself afterwards sold in his turn by the masters, till at last he is despised by both and deserted by all." Substitute *players* for *journeymen*, and *owners* for *masters*, and you have a fairly current description of the fix some of the replacement players now find themselves in.

Other synonyms for *strikebreaker* include *blackleg, jackleg, red apple, scissorbill, rat* and the ever-popular *fink*.

"Fink came into the language in 1902," says the lexicographer Stuart Berg Flexner, "probably as a clipping of *Pinkerton*, with the *p* changing to *f* in pronunciation." Allan Pinkerton (General George B. McClellan's Civil War secret-service chief) founded a detective agency that later gained ill fame as an organization of strikebreakers hired in 1892 to fight the workers in the Homestead strike against Carnegie Steel. As the language scholar H.L. Mencken's American Mercury was the first to point out, in 1926, the Pinkerton agents were then reviled by unionists as *pinks*, which may have changed in a decade to *finks*.

Or maybe not. Flexner's new Random House unabridged dictionary speculates that, in German, *Fink* is the name of the bird we call the finch, and also refers colloquially to an undesirable person. In German compounds, the syllable is used to impute untrustworthiness: a *Duckfink* is a sycophant and *Schmierfink* means a "sloppy writer." That's a less likely etymon than the mispronounced Pinkerton (whose symbol, an open eye with the slogan "We never sleep" under it, gave us the expression *private eye*).

My colleague in columny, Russell Baker, nobody's *Schmierfink*, was moved before Labor Day to evoke a song best known to labor skates: "Let us disturb the bottom-line dispassion of this once-famous weekend to sing an old union song crying defiance of 'goons and ginks and company finks and deputy sheriffs that made the raids.' The tune is 'Redwing.' Ready?"

I am unready to be sidetracked from *fink*. (*Goon* is a hired thug, perhaps derived from the 1580s English dialect word *gony*, "simpleton," and popularized by the hairy creature Alice the Goon in the cartoon "Popeye." *Gink*, a 1910 synonym for "jerk," may come from carnival usage.)

ALTHOUGH *scab's* slang meaning is limited to labor lingo, *fink* has broadened to include any dirty, low-down, miserable object of scorn. As early as 1903, the humorist George Ade was writing that "Anyone who goes against the Faculty single-handed is a Fink." In a piece on corporate ethics in last month's Business Month, Thomas J. Murray wrote: "It is no secret, for example, that most senior executives are contemptuous of whistle-blowers, labeling them 'snitches' and 'finks' and often demoting or firing them."

Fink is also a verb — "to inform on," or otherwise to play the contemptible fink — although the current use of *out* as a verbifying phrase-maker has led to the expression *to fink out*. I would resist this latest nonce use, as it detracts from the power of the single-syllable derogation.

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